

BUSINESS WEEK

JUL 1940

WEEK
AGO

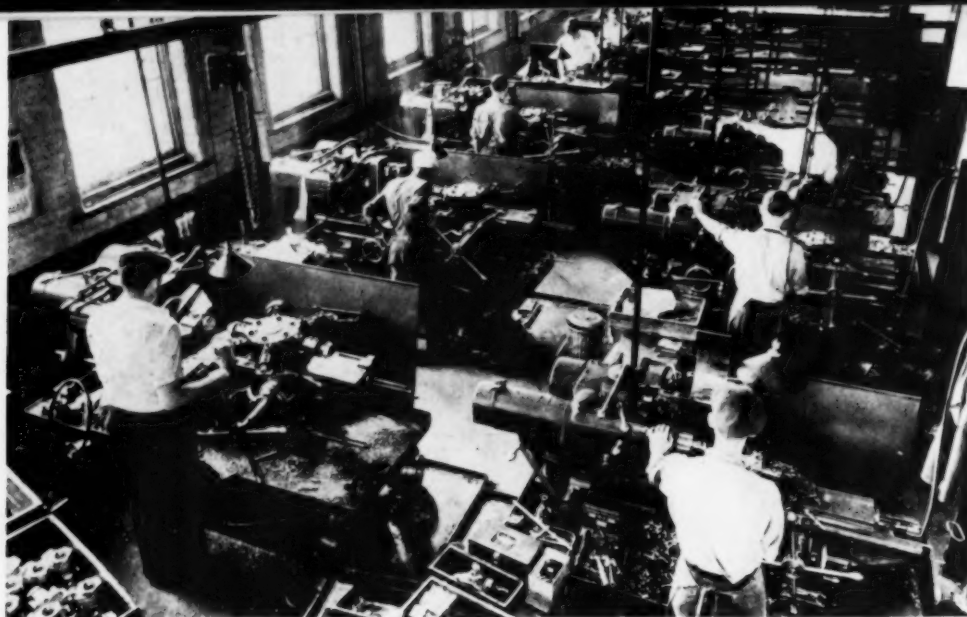
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YEAR
AGO



Night lights on the Mahoning—symbol of new demands on America's steel industry.

BUSINESS
INDICATOR

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After the war the invasion will come

Peace will come again. But after the military peace will come the commercial war, with invasion of America's markets by goods cheaply made in European plants which were modernized and tooled up-to-the-minute for war production.

American workmen enjoy high wages; European workmen may be laboring in plants at subsistence wages under government orders. Can America meet that invasion without dragging down our wages to compete with the European level? Not if Europe's plants are more modern than ours—and their war plants are more modern today.

Warner & Swasey is working 24 hours a day to help this nation rearm. But we believe an equally great service will be our readiness to help America fight the battle

of peace and repel the invasion of goods which could ruin our nation's standard of living.

New Warner & Swasey Turret Lathes increase production, cut cost per piece as much as 50%. Our development work still goes on, to still further improve and perfect turret lathes. Our field engineers are constantly trained in how to work with manufacturers in reducing waste, improving plant efficiency.

National rearmament comes first. But it is not too soon to begin to think and plan for the time when that need will be met and the threat of commercial invasion will have to be met with equal American energy.



YOU CAN TURN IT BETTER. FASTER. FOR LESS... WITH A WARNER & SWASEY



A Florida Blow-Out Heard in Akron

A typical example of Goodrich improvement in tires

SOMEWHERE, right now, there is a fleet of motor vehicles on the highway—bound for nowhere. Pounding along over 112,000 miles of pavement a month.

It's The B. F. Goodrich Company's test fleet, hammering the highway on underinflated, overloaded tires. Often driving at high speeds. It's the job of these drivers to make tires fail, to find tire weaknesses, to test out new types of construction, both our own and others, so that engineers can improve tire stamina.

Let's say a big truck tire lets go during winter tests in Florida. The carcass is carefully dissected by an Akron tire surgeon. The "autopsy" reveals the cause of failure. Engineers go to work

at building a still better, stronger tire.

Testing is a never-ending job at the Goodrich Company. One driver has traveled a distance equal to 46 jaunts around the globe looking for and inviting trouble, but has never had an accident!

Every new tire development is tried out on the test fleet. Rubber compounds, tread designs, cord construction, beads—all must prove themselves on the highway.

It was here that the Triple Protected construction now used in Silvertown

Truck and Bus Tires was proved. Here the revolutionary Hi-Flex Cord was found to keep tire temperatures far below the danger point.

Today you can put Goodrich Silvertowns on your trucks with the assurance that they are the finest tires America's oldest tire manufacturer can build. Their long life and freedom from failures has been proved not only by the test fleet, but by hundreds of the largest operators. For lowest tire costs, see the Goodrich man. Remember which, the name's Goodrich. The B. F. Goodrich Company, Akron, Ohio; Los Angeles, Calif.; Kitchener, Ontario.

Goodrich Silvertowns
FOR TRUCKS AND BUSES 



• **YOUR EYES** see one. But there are scores, and the effectiveness of this one man is multiplied thereby! The roster of individuals "in the picture" of every Hartford-inspected engine, boiler, turbine, pressure vessel or electric generator stretches clear back to the headquarters of the largest organization specializing exclusively in power-plant insurance.

Highly trained supervisors guide and aid the work of Hartford's hundreds of carefully schooled inspectors. The efficiency of this force is maintained by a home-office corps of engineers devoted solely to the problems involved in the prevention of power-plant accidents.

Supporting both field and engineering staffs is an executive council with the priceless heritage of their Company's 74 years of experience and financial stability which has weathered every depression and met every obligation.

Thus is Hartford Steam Boiler equipped to render its policyholders the doubly-sound protection of: *Power-plant inspection by power-plant engineers; power-plant insurance by the oldest and one of the strongest companies of its kind in the world.* Ask your agent or broker for further details. No obligation.

• *Hartford Steam Boiler is entrusted with a preponderant portion of America's insured power equipment; and shop-inspects more than 90% of the nation's industrial-power boilers during their construction.*

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

HARTFORD,
CONNECTICUT



THIS BUSINESS WEEK



Blowing Galloway

The steel operating rate is flattening out, and the steel scrap price is slipping, but with the steel rate still in the high eighties—up 25 points in three months—mills are working night and day. They're still getting a steady influx of orders and foreign buying and potential defense orders have both steel mills and steel consumers on their toes. What's happening to steel prices and steel scrap is shown in the Business Outlook Chart on page 13.

Defense

THOUGH THE NATIONAL-DEFENSE program is constantly picking up speed, and though its every little movement is hailed as a tremendous advance, the cold fact remains that real results can't be counted on before August, 1941—and full production of armaments won't come until some months after that. Orders are going through at such a clip now, however, that Washington has started to work on a plan to give priority to Army and Navy orders. A report on the current progress of the defense program from BUSINESS WEEK's Washington Bureau—page 15.

Canadian Dictatorship

CANADA REORGANIZED its Wartime Industries Control Board last week to meet

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A McGRAW-HILL



PUBLICATION

the heavy demands for rush deliveries of war supplies—and gave it as much power as any totalitarian government has today—page 20. A table on the same page lists all the men with whom business will deal under the new set-up.

Birthday

THE NATIONAL LABOR RELATIONS ACT was five years old last week and it celebrated its birthday, typically enough, in hot water. The crisis that faced the act last week, though, was just about the toughest one it's ever had to face—the Smith committee amendments, passed (258 to 129) by the House last month, proposing eight drastic changes in the act. What the changes are, and how they happened to be proposed—page 24.

P. S.—There's no doubt that the Wagner Act's in the toughest spot in its history, but latest advices from Washington (page 8) indicate that it still stands a good chance of squeezing through this session without amendment. Ditto for the Wage-Hour Act.

Substitutes

AS SUPPLIES OF ONE PRODUCT after another are cut off from the U. S. by the war, resourceful U. S. manufacturers are constantly working to develop domestic sources of supply or substitute products. For example: Sweden used to supply most of our powdered iron, for making automotive and other parts; now the Clarkiron Co. promises to produce 20,000 tons a year by a new gas process—page 29. Again, paint manufacturers used to be almost wholly dependent on tung for a drying oil. Supplies of tung from China have been reduced, the price raised from 8¢ to 27¢ a lb. Now comes Armour & Co. with a new drying oil that's manufactured from sardines and soybeans—page 30.

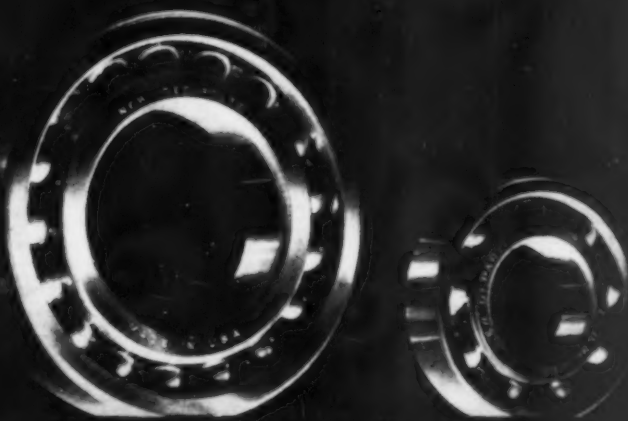
Radios

FOR A MONTH AND A HALF, radio-set manufacturers have been showing off their new models to dealers—which means the 1941 selling season is about to get under way. What's new in radio sets for 1941, and how sales are coming along in the 1940 season—page 36.

So Big?

LOUIS D. BRANDEIS, before he became a U. S. Supreme Court Justice, wrote a book called "The Curse of Bigness," which became a text for trust-busters. Now one of his most ardent disciples, Lawyer Morris Ernst, has followed in the master's footsteps and written a book called, "Too Big"—which has a good chance of becoming a text for those who'd like to use taxing power to curb corporate size. A review and résumé of the book appears on page 38. (Just for the record: Wendell Willkie took along a copy of "Too Big" to while away the summer afternoons on his vacation in Colorado this week.)

"No one of us is as smart as all of us!"



In the factory and in the field, New Departure designers and engineers work with their customers to develop better bearings and better machines. Indeed . . . Cooperation and an Open Mind is one reason for the success of . . .

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THE FORGED STEEL BEARING**

Nothing Rolls Like a Ball



Write to Main Office, New Departure, Division of General Motors, Bristol, Connecticut for engineering consultation and 150 page book, "Why Anti-Friction Bearings."



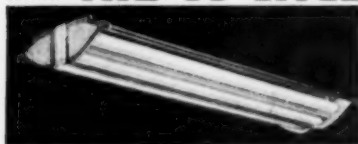
Authorized automotive and industrial replacement bearing service, wherever you see the United Motors Service sign. Authentic records. Complete stocks. Prompt delivery.



ARCTIC DAYLIGHT*

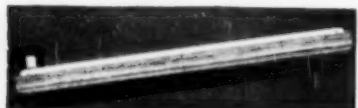
ARCTIC DAYLIGHT: The cool, brilliant, non-glaring, shadowless light produced with these amazing new Fluorescent Fixtures.

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Fluorescent Lighting at Peak Efficiency For Stores, Factories, Offices, Etc.

GUTH FLU-O-FLECTOR and TRU-CO-LITE Fixtures, scientifically designed and enhanced by the famous ALZAK Process, give you much more illumination—much better illumination of a daylight quality. Stores, factories, and offices everywhere are using GUTH FLU-O-FLECTORS and TRU-CO-LITES to help speed work and boost sales. Your business, too, needs this modern, efficient equipment!



"P-F-C's" Plastic Diffusers

For maximum satisfaction with any make of Fluorescent Lamps, use the new GUTH "P-F-C's." These Plastic Diffusers snap on and off the lamp easily—reduce the glare of the bare lamp—give a soft, pleasing illumination that's extra easy on the eyes. Available in 5 colors, "P-F-C's" are decorative as well as scientifically practical.

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NEW BUSINESS

House by the Side of the Road

It was a blazing hot day at the New York World's Fair when we stopped in to call on the typical American family of Mr. G. Edgar Westbrook, president of the Noble and Westbrook Mfg. Co. (marking machinery and steel stamps), East Hartford, Conn.

Every week two typical American families come to live on the Fair grounds—in the two small, white houses built under FHA supervision, as working examples of low-cost housing—separated from the hurly-burly around them by nothing stronger than a low picket fence and a polite sign that says: "No Visitors Please."

Like all the typical families before them, the Westbrooks owed their presence at the Fair to the fact that Mrs. Westbrook won an essay contest in their local newspaper. The Ford Motor Co. had a car call for them and drive them down to the Fair. They checked in at 10 a.m. sharp Monday morning (the previous week's family having cleared out at 9—and just as sharp). Harvey Gibson gave them a key and a week's lease to the house. Their state flag was raised aloft. Then they were pitched into a week of activity which, with the exception of an excursion to New York City and a day on Mr. Gibson's yacht, was confined wholly to the Fair grounds. It's a schedule that would put any but a typical family flat on its back.

Lunch (courtesy of Standard Brands, Heinz, et al.) was just over when we knocked at the Westbrooks' door, and a colored maid (courtesy of the Fair) was doing the dishes in the kitchen. Mr. Westbrook was sprawled in an easy chair (courtesy of Sears, Roebuck) in the living room, taking the air by the window. Warren, 15, sat spread-eagled on the sofa, playing "the world's smallest saxophone, 10¢." Mrs. Westbrook and Beverly, 19, were leaning over a table, swapping publicity photographs of themselves with Mrs. Roberts of Houston, Texas—the mother of the typical family next door. And three younger Westbrooks were sulking up in Hartford because the Fair's typical house didn't have room enough for all of them.

Mr. Westbrook said he slept like a log last night; never woke up until they began collecting garbage cans at the Schlitz cafeteria across the street. Mrs. Westbrook looked up from the pictures long enough to say that she never slept; she leaned on her elbow all night, looking out the window, for fear she'd miss something. A uniformed chauffeur came in the front door and half-apologetically announced it was time to ride over to the Swift exhibit. The Westbrooks, who

hadn't been keeping close track of their schedule, began to run around and get ready. Mrs. Roberts sprinted out the back door. Mrs. Westbrook wiggled her finger for Beverly to come out in the hall and tell her whether her slip was showing or something. Warren kept playing the world's smallest saxophone. A guide in a red uniform came in and, mopping his forehead, announced it was time to walk over to the Swift exhibit. This precipitated a discussion as to the separate merits of walking and riding to the Swift exhibit. Then, on top of that, somebody wondered whether the schedule listed the Swift exhibit as a ladies' activity, a gentlemen's activity, or a mixed trip. Nobody could remember, so the entire typical American family, typically unorganized, piled out the front door, and set off for the Swift exhibit in all directions.

We waited on the front stoop, blinking in the bright sun until the typical family was out of sight. Then, clicking the gate shut behind us, we hurried to the amusement area and bought a ticket for a show called: "Twenty Thousand Legs Under the Sea." We stood for a long time in the dark watching a young lady dance with a rubber octopus under a blue light, before things began to seem real again.

Social Notes

SOCIAL LIFE at the Fair was dealt a serious blow this week when Elsie, the Borden cow, left for Hollywood to appear in the movie, "Little Men." Elsie was quite a party-giver—pretty nearly the Elsa Maxwell of Flushing Meadow, in fact—and her eighth birthday party at the Fair last month was one of the big social events of the season. (Elsie got a copy of "Green Pastures," and a singing telegram that went, "Moony Birthday to You"). Just to show Hollywood what kind of a hostess she is, when Elsie's entertained at Ciro's restaurant out there, she's going to have herself milked to make Alexanders for her guests. In Elsie's absence, though, social activities at the Fair are holding up pretty well. Westinghouse had a birthday party for Elektro, its mechanical man, and presented him with a metal birthday cake, decorated with red, white and blue fluorescent lamps. The Fair corporation keeps things humming by making every day an occasion—"Y. M. C. A. Day," or "Uncle Don Day," or something. This week they had Women's Overseas League Day and Cherry Festival Day at the same time. The girls in uniform were mowed down along with everybody else when a cherry queen from Michigan waved a wand over a papier-mâché pie, and the cast of the show "Walk with Music" busted out of it and started passing out free pie and ice cream.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Roosevelt's endorsement of the plan to permit companies producing armaments to amortize investments in new plant and equipment over a five-year period—under a new law about to be rushed through Congress—goes a long way toward unbogging the national defense program.

In effect, the program means that a company which builds a plant or adds equipment for the purpose of producing arms, can charge off the investment at the rate of 20% a year. And that helps to put profits into production in two ways:

(1) It means that the cost of new plant will be carried as a 20% yearly expense, and presumably will therefore be reckoned in the cost of goods produced for the government. The plant will be in the price.

(2) By permitting the cost of the new plant to be treated as an expense item, excess profits taxes and all other taxes are reduced; for no government has yet figured out a way to tax a debit item.

Stymied at the Treasury

AIRPLANE MOTORS furnish the best illustration of how the defense program has been bogged down up to now in the Treasury Department. Production of these vitally-needed engines has been delayed for weeks that have been stretched into months as the Treasury has stubbornly insisted on its own ideas of what tax deductions should be allowed on new plant.

One big manufacturer who gets along fine with Knudsen but runs into headaches at the Treasury sized up his trouble this way: "It's like asking us to buy bonds—not stock on which we might net a good return, but bonds that may pay their interest for one year, maybe for four. Then after that, when the defense crisis passes, the bonds will default. We will have millions tied up in additions to plant, which, as Mr. Roosevelt said so emphatically in 1932, will be 'standing stark and idle.'"

Morgenthau has pointed out that hundreds of millions of government money are available to pay for the risky part of plant expansion. But industry has feared government participation—and resultant controls—even more than the risk of loss.

G.H.Q. for Campaign

DESPITE PROTESTS that they want to get home for the coming election so they can "meet the folks," a large proportion of the shrewder members of Congress would rather campaign from Washington. That is one reason why the statesmen ignored President Roosevelt's expressed wish that they adjourn.

By remaining in the capital the incumbent proves his devotion to duty in the crisis. He can get into the news by going to see the President—if he can—or key men in the defense setup and by giving interviews. Moreover, he can stuff the voters' mail boxes with franked communications, evidence of esteem.

At home, passing out cigars and kissing babies, the campaigner is dealing in personalities and has to pay retail prices for votes.

★Safari: Representative George Holden Tinkham, the whiskered and independent Massachusetts Republican, once went on an African hunting trip during an election.

Needed: Soothing Oil

BIGGEST POLITICAL JOB confronting President Roosevelt is to win back Jim Farley, Jack Garner, Burton Wheeler, Paul McNutt, and a few less prominent Democrats. They are all sore as pups, because each thinks he could have won the nomination if Roosevelt

had flatly forbidden his own name to go on the primary ballots. And some feel that the President owed them an endorsement.

No Third Party

IT'S NOT JUST A QUESTION of reconciling the disappointed candidates themselves—their disgruntled lieutenants also have to be placated, lest they go fishing when they should be attending to the business of flushing votes for the ticket.

No third-party candidacy is likely, despite John L. Lewis' burning desire to make Senator Wheeler run. F. D. R. cut the ground from under the isolationists with the pledge in his message to Congress this week that the United States would not participate in a European war. So forlorn was the hope thus left for Wheeler that he flatly stated he wouldn't run if Roosevelt did. Of course, he remains bitter at Roosevelt—still thinks Wheeler is the only man who could beat Willkie—but he will devote his energy to getting re-elected Senator from Montana—and pulling down a few Chau-tauqua fees.

Debt Limit Boost Ahead

INDICATIONS are that tax revision will be taken up by Congress immediately after the Democratic convention. Treasury studies will be speeded to this end. Skyrocketing defense expenditures probably will force Congress to include in the new tax bill a section further expanding the national debt limit, which only last month was boosted \$4,000,000,000 to a new high of \$49,000,000,000.

Insist on More for TVA

NATIONAL DEFENSE COMMISSIONERS Knudsen and Stettinius rushed up Capitol Hill Tuesday afternoon to tell the House subcommittee considering deficiency appropriations that it should O. K. the proposed \$25,000,000 for TVA. The money is wanted to start the Holston River Dam and to build a stand-by steam plant. Additions are to make up deficiencies in rainfall.

The hearing was secret, but listeners on the grapevine learned that the session was several degrees hotter than the weather. Stettinius is said to have stated flatly that if the money was not voted, Congress and not the Defense Commission would have to take the consequences. A perspiring statesman suggested to Knudsen that the matter might be put over. Commissioner Knudsen said: "We want it now."

The fund will probably be voted.

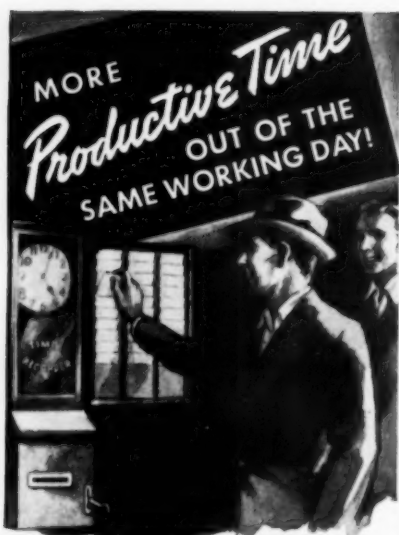
★Lowdown: Aluminum Co. of America's huge Tennessee plant, which uses TVA power, is vital to production of airplane parts. On July 1, TVA cut down on

That Rolls-Royce Deal

WHEN PACKARD directors got a glimpse of the proposed contract for manufacturing 9,000 liquid-cooled Rolls-Royce airplane motors they balked because of severe terms written into the contract by persnickety Defense Advisory Commission lawyers. Main point at issue when negotiations got under way was the amount of the charge-off which the government would allow on the cost of extra plant capacity necessary for the job. Differences can be compromised.

Talk is that Ford was happy to be rid of the Rolls-Royce job as mass output of this watch-like, hand-made original will be a hot potato for anybody who takes it on. Chrysler would have no part of it.

★Possible black eye: Inevitable delays in getting the defense program rolling, amply demonstrated in the ruckus over the Rolls-Royce engines, may backfire on business, for the Administration is making a great play of the fact that the defense program is wholly in the hands of Knudsen, Stettinius, other industrialists. This same publicity has given the public an exaggerated idea of how fast they can achieve results. When these are slow showing up, the politicians will be able to find an easy out by blaming the business men.



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CONVEYORS



Alcoa because of water shortage. Indications are that the Defense Commission has important plans for the future expansion of war industries in the TVA region.

Priorities on Turbines

AFTER IT HAS THE MONEY, TVA may run into difficulties getting delivery on new installations, especially steam turbines. Only a few companies are equipped to turn out the huge castings used and they already have a man-size job on their hands, for the Navy's recent \$414,000,000 order for 45 ships will require an estimated 5,000,000 turbine horsepower. It must be delivered in 30 months. These orders, piled atop the ones already on manufacturers' books, create a situation which broadly suggests that priority orders soon will be necessary.

The companies involved are the same which must supply turbines to the electric utilities. The defense program will demand greater power output, should force them to increase the tempo of new equipment installations which have been running around 4,000,000 kw. per year.

Power companies are sure to run into a jam with the Navy on turbine orders. Navy and TVA will get priority.

★"Opportunity": When the pinch comes, New Dealers will have a chance to revive their grid idea, which would provide for interchange of power between companies. Industry balks at the proposal mainly because such hookups would involve interstate swaps of current, would make the companies liable to the most stringent controls from Washington.

Labor Laws Stick

DON'T COUNT ON CHANGES in the Wage-Hour Law, Wagner Act, or other important labor legislation during the remainder of the present Congressional session. Major groups of labor are playing ball on the defense program and there is a marked decline in demands from industry for correctives. Danger of antagonizing the labor vote now is obvious. Moreover, with Wendell Willkie as their candidate, the Republicans see a chance of remodeling New Deal laws closer to their desires.

Firm Hand in Disputes

EMERGING NOW with greater clarity is the pattern which the government will follow in dealing with labor disputes in important defense industries. The strike at Federal Shipbuilding in Kearney, New Jersey, the long-deadlocked negotiations between the Congress of Industrial Organizations and General Motors, the work stoppage at RCA Communications, and the present altercation between the Aluminum Co. of America and the Aluminum Workers' Union have each evoked quick federal action.

John Steelman's Conciliation Service in the Department of Labor has let no grass grow; it has moved right in to press for immediate settlements without wait-

Defining Death Sentence

THE SEC will arrange a hearing, probably for the week of July 21, to pave the way for an official interpretation of the geographical integration section of the holding company act's "death sentence." Original understanding was that the hearing would be called in the Middle West Corp. case. Instead, it now appears that any case which can be properly prepared in time will be used. Possibly no guinea pig will be employed, but the ambiguities may be threshed out in open hearing. In any event, counsel for all cited systems will be invited to sit in.

★Shift: The SEC has decided that it must clear up this section for itself before it can tell United Gas Improvement, Electric Bond & Share, United Light, Engineers Public Service how it thinks they ought to integrate.

ing to be invited in the traditional manner.

Thus far there has been no application of overt pressure; persuasion, directed most pointedly at employers, has been the order of the day. And behind the scenes works Sidney Hillman, using his prestige and labor record to induce unions to temper their demands (as in General Motors), defer strike action (as in the Aluminum dispute).

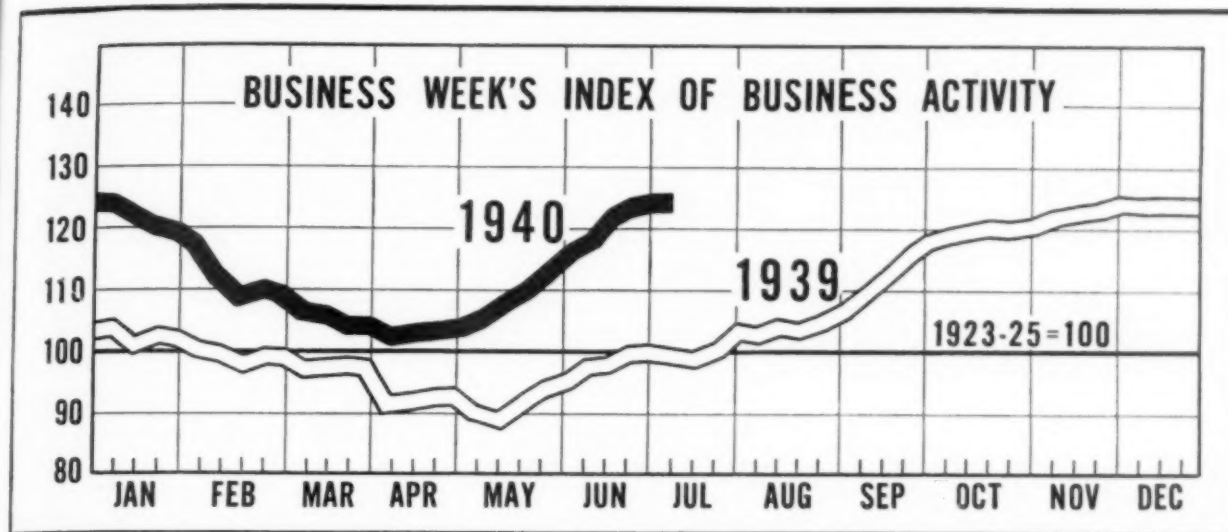
Officers Learn Business

AT WASHINGTON'S ARMY INDUSTRIAL College each winter, procurement officers learn the intricacies of buying, shipping, and factory technique. Harvard's School of Business Administration has regularly supplemented these courses with small classes. This year the Harvard instruction will be greatly extended. Its courses will be revised to follow more closely those of the industrial college. Some 150 officers are expected to attend the Harvard classes. Extension of the idea to other schools is planned.

P. S.

WHEN the President appointed Henry L. Stimson Secretary of War, it aroused amusing memories in Washington. F. D. R. once thought that a man of 70 was too old to sit quietly on the U. S. Supreme bench; Stimson, who takes over one of the hottest jobs in the country, will be 73 in September. . . . The Administration worries over the social implications of the jalopy stampede toward Detroit and other defense industry centers in the North. The infirm crates are loaded with Negroes who have heard that jobs are open. They represent common labor of which there is plenty and if they don't find work they become easy converts to revolutionary teachings.

THE FIGURES OF THE WEEK



THE INDEX.....

PRODUCTION

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Steel Ingot Operations (% of capacity).....	86.4	74.2	84.6	86.1	49.7
Automobile Production	51,975	87,550	95,560	87,510	42,784
Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$11,339	\$9,539	\$10,610	\$9,558	\$7,739
Electric Power Output (million kilowatt-hours).....	2,265	2,514	2,453	2,473	2,078
Crude Oil (daily average, 1,000 bbls.).....	3,602	3,640	3,817	3,584	3,530
Bituminous Coal (daily average, 1,000 tons).....	1,343	1,328	1,402	1,646	1,105

TRADE

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	76	75	72	69	69
All Other Carloadings (daily average, 1,000 cars).....	49	47	47	43	42
Check Payments (outside N. Y. City, millions).....	\$5,272	\$4,179	\$4,127	\$5,605	\$4,129
Money in Circulation (Wednesday series, millions).....	\$7,924	\$7,780	\$7,718	\$7,581	\$7,100
Department Store Sales (change from same week of preceding year).....	+5%	+10%	-9%	+8%	+3%

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	156.5	155.4	154.7	168.1	142.2
Iron and Steel Composite (Steel, ton).....	\$37.72	\$37.76	\$37.59	\$37.09	\$35.81
Scrap Steel Composite (Iron Age, ton).....	\$18.71	\$18.92	\$19.17	\$17.67	\$14.79
Copper (electrolytic, Connecticut Valley, lb.).....	10.835c	11.013c	11.500c	12.500c	10.169c
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.72	\$0.75	\$0.80	\$1.04	\$0.69
Sugar (raw, delivered New York, lb.).....	2.70c	2.73c	2.71c	2.81c	2.90c
Cotton (middling 1/8", ten designated markets, lb.).....	10.26c	10.44c	10.10c	10.83c	9.53c
Wool Tops (New York, lb.).....	\$0.990	\$1.005	\$1.021	\$1.132	\$0.863
Rubber (ribbed smoked sheets, New York, lb.).....	20.22c	21.29c	22.19c	19.36c	16.40c

FINANCE

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....	4.84%	4.92%	5.21%	4.82%	4.89%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.29%	2.32%	2.49%	2.28%	2.18%
U. S. Treasury 3-to-5 year Note Yield.....	0.61%	0.67%	0.84%	0.44%	0.47%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	1/2-3/4%	1/2-3/4%	1/2-3/4%	1/2-3/4%	1/2-3/4%
Business Failures (Dun & Bradstreet, number).....	259	286	249	250	208

BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Demand Deposits Adjusted, reporting member banks.....	20,510	20,681	20,306	18,566	17,109
Total Loans and Investments, reporting member banks.....	23,586	23,581	23,527	23,087	22,000
Commercial and Agricultural Loans, reporting member banks.....	4,438	4,399	4,368	4,353	3,872
Securities Loans, reporting member banks.....	851	862	912	1,204	1,192
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,607	11,610	11,564	11,115	10,635
Other Securities Held, reporting member banks.....	3,517	3,536	3,528	3,298	3,223
Excess Reserves, all member banks (Wednesday series).....	6,810	6,800	6,533	5,271	4,292
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,503	2,511	2,530	2,564	2,569

STOCK MARKET (Average for the week)

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
50 Industrials, Price Index (Standard Statistics).....	94.6	94.2	90.6	122.4	108.8
20 Railroads, Price Index (Standard Statistics).....	26.2	26.0	23.5	32.4	26.5
20 Utilities, Price Index (Standard Statistics).....	61.9	61.7	53.6	71.6	66.0
90 Stocks, Price Index (Standard Statistics).....	79.0	78.6	74.4	100.4	89.3
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	272	1501	762	702	450

* Preliminary, week ended July 6th. † Revised. § Date for "Latest Week" on each series on request.

One Way to Reduce the Cost of *Better Light —* *Better Sight —* *Better Work*

PROBLEM—The management of most commercial and manufacturing enterprises will admit the benefits of better light—less fatigue, fewer errors, better production, greater safety, i.e., better work. In some cases, however, the change-over to modern lighting may involve a problem of power supply.

A SOLUTION—If an additional power supply is needed, a method of reducing its cost is now available. We refer to Pyranol transformers. They can be installed right at the load centers, which reduces the length of the large-size secondary conductors and conduits. And they require no fireproof vaults. For example:

1. Mr. R. H. Lewis, electrical superintendent of the Motor Wheel Corporation, Lansing, Michigan, says, "We saved \$500 on installed cost by using a Pyranol transformer to supply a lighting load."
2. The Allied Paper Mills of Kalamazoo, Michigan, saved \$163 by the installation of a Pyranol transformer when the plant lighting system was modernized.

These cases do not represent large amounts in dollars saved, but they do show that seeking new and better methods and equipment are rewarded. No plant has yet reached the limits of its profitable use of electricity, because of the rapid improvements in electric equipment, in ways of doing work electrically.

SUGGESTION—Perhaps it will pay you to make a new study of the means available to solve manufacturing problems by making better use of electric power. Experienced General Electric engineers will be glad to help you, your consulting engineers, or your machinery manufacturers to obtain the maximum benefit from the latest electric equipment suited to your work. General Electric Co., Schenectady, N. Y.

Dependability is difficult to include in specifications but easy to obtain if you insist on General Electric equipment.

THIS IS NO. 101 IN A SERIES RELATING SOME OF THE OUTSTANDING RESULTS OBTAINED BY THE PROPER APPLICATIONS OF THE LATEST DEVELOPMENTS IN ELECTRIC EQUIPMENT

GENERAL  ELECTRIC

600-4

July 13, 1940

THE BUSINESS OUTLOOK

Index tops 1939 high—by a hair—but business marks time, a natural consequence of war and political uncertainties. Government action on difficulties over defense orders would speed things up.

A STATISTICAL LANDMARK tumbled into the dust this week. The BUSINESS WEEK Index reached 125.8—a gain of one-tenth of a point—and topped its 1939 peak by the same narrow margin—one-tenth. (At its new level, the Index was 9.5 points—only 7%—under the all-time high of 135.3 reached in the week of July 27, 1929.)

But the gain is more symbolic than significant. For, on the whole, business has been marking time. Business men are hesitant to embark on major commitments until (1) they have a better idea of how the Presidential campaign is likely to shape up and (2) they can evaluate the nature and the extent of the German-Italian attack on Great Britain.

Steel Scrap Weakens

Even the steel industry, which has been the leader on the rise, has given indications of fatigue. For three weeks, it has been flattening out, as the accompanying Outlook Chart shows. Moreover, steel scrap prices, usually a good forecaster of the steel operating rate, have been soft. So, on the surface, some immediate drop in the level of industrial activity might be assumed.

However, it is too early to place bets. It is logical to expect some slackening in the pace of the advance. Indeed, that was duly noted here two weeks ago (*BW—Jun 29 '40, p. 13*)—when attention was called to the indecisive and erratic movements in both stock and commodity markets. Investors and speculators, apparently, are hesitant and nervous; and so (though perhaps to a lesser extent) are business men.

Unsure About Outcome

The main reason for this uncertainty is that no clear-cut theory about the coming turn in the war has been generally accepted. Opinion over here has been vacillating between (1) a German blitzkrieg against Britain in a do-or-die, get-it-over-quick offensive and (2) an attempt to harass the British into a negotiated peace.

The harassment has already begun; but it works both ways. In England, and in Germany too, sleep has become a major problem. Day-and-night air raids on industrial centers hurry workers out of bed or away from the factory benches into

bomb-proof shelters. Under such circumstances men and women become inefficient workers, and productivity necessarily falls off—in both quantity and quality. The question of whose output—Germany's or Britain's—is the worse affected may become a decisive one for the war. Now an urgent need of each side is to organize sleep on a businesslike basis.

The Contingencies Ahead

But at any moment, harassment may give way to a large-scale attack. And so, the executive in the United States must plan his business against these contingencies: (1) A German attack which fails; (2) a German attack which succeeds; (3) a war of attrition, of indeterminate duration. Each has its own consequences to domestic business.

If Britain repulses a German attack, then the exports will continue, and a

powerful psychological impetus to business expansion will develop.

However, a quick German victory would mean cessation of export orders. As an example, the steel industry, which is now a heavy seller to Britain, would suddenly lose a major customer. And the slack could not immediately be taken up by this country's defense program.

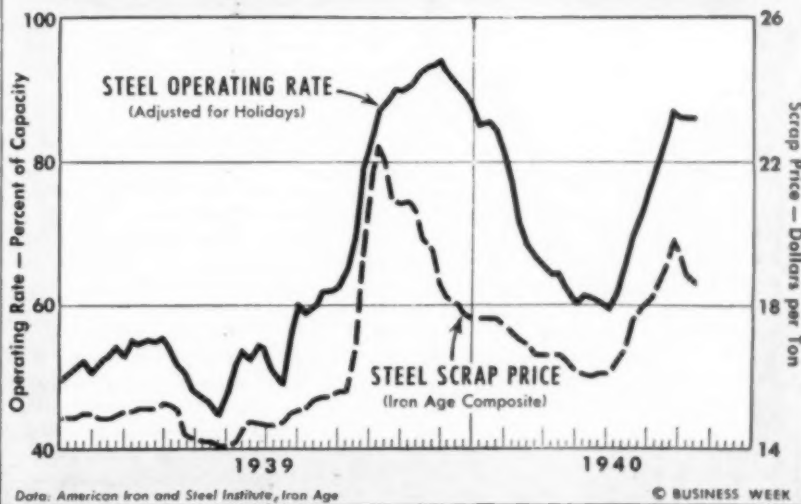
Policy-Making Difficult

(There is, incidentally, an opposition theory: That with a German peace, exports from this country to feed and rebuild Europe would more than offset the drop in sales of munitions to Britain. But the relations of the United States and Germany are still too tense to warrant placing too much faith in the reasoning.)

Finally, if the war drags on—with daily air-raids—then business men will continue to face all three alternatives—for a blitzkrieg might break out at any time.

So policy-making becomes particularly difficult as war uncertainties combine with political uncertainties to cause business men and the Business Index to mark time. But there is no reason to expect—as yet—any major change in the pat-

IN THE OUTLOOK—STEEL OPERATIONS



The steel operating rate has been flattening out the last three weeks; and the steel scrap price has been slipping. But it is too soon yet to write off the current upward move as finished. For one thing, steel mills report a fairly steady influx of orders; for another, foreign buying and po-

tential large orders for defense tend to keep steel mills and steel consumers on the alert. Neither wants to take a chance on being unable to make deliveries. So mills are filling orders as fast as they can; users are building stocks. Result: Many steel mills are working night and day.

tern outlined last week (*BW*—July 6, 1940, p14). The defense program is still a strong supporting factor for business at current levels.

For an Immediate Flow

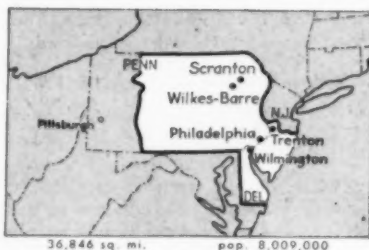
And if the government goes through with the plan (page 7) to iron out legalistic difficulties over costs and tax allow-

ances—such as have contributed to holding up the Packard negotiations on the manufacture of Rolls-Royce engines—the arms program will provide an immediate flow of contracts to business, instead of being “something for the future.” For the Packard delay is not unique. Other companies have refused to sign contracts while still unsure of the extent of the

government's willingness to protect them against plant expansion losses.

However, even though Congress clears the deck for ready understanding between government and business on defense orders, it does not follow that an upsurge in industrial activity will materialize shortly. Changing over from peace-time production to arms output takes time.

The Regional Business Outlook



PHILADELPHIA—After a five-month decline, consumer goods production has turned up, partly under the stimulus of government bids for uniforms, knitwear, sheetings, and cloth.

But the recovery is not entirely full-fledged. Manufacturers are uncertain because of the war, and forward buying is restricted. In the non-durable goods lines like hosiery, silk and rayon, rugs and carpets, there is no immediate prospect for a sharp rise.

Payrolls, therefore, are apt to expand fastest in heavy goods plants, where the impact of national defense is more direct. Although the steel rate appears to have reached a plateau, armament production is on the up-beat. Large backlogs are being built up by firms making cargo ships, warships, gun tubes and carriages, tanks, airplane engines, etc.

Retail Trade Expands

Indeed, some towns are becoming munitions “centers.” York, Pa. workers are busy on shells, chemical plant equipment, machine tools; the U. S. arsenal at Frankford, Philadelphia, is operating 24 hours a day.

Enlarged industrial incomes and warmer weather have carried the retail trade improvement, begun in May, up to the high levels of November and December. An added fillip, particularly for hotels and restaurants here, came from the Republican national convention.

Of interest to sales managers is the indicated decline in population of this city. This may be misleading. There has been a shift to the suburbs; so instead of a 20,000 drop, the population of the Philadelphia area may have increased.



CHICAGO—Despite the close tieup between this heavy goods industrial area and national defense plans, peace-time business dominates the near-term outlook. June's sharp rise in automobile sales, for instance, has renewed confidence in the 1941-model year. Changeovers are under way now, and by September, production will be starting up sharply, and no big drop in motor company payrolls is likely.

Freight equipment makers are now looking to the railroads, not the government for immediate orders. As carloadings mount along with national business, large-scale locomotive and freight-car buying is boosting output (*BW*—June 29, 1940, p13) long before tank and other armament requirements have been translated into contracts.

Defense, however, is not to be discounted as an influence on business. In the tri-city area of Rock Island, Davenport, and Moline a boom has been stimulated by the expansion and expected expansion at the government's Rock Island arsenal.

City and Farm Buying

With steel mills operating at 90%–95% of capacity here, defense business steadily expanding, and peace-time industries like autos and furniture promising, the large industrial cities should continue as the retail trade leaders.

Moreover, agricultural buying power has picked up considerably in recent weeks as hog prices rose to an eight-month high. The condition of wheat and corn also has improved, and this rounds out the picture of better-than-average sales opportunities in this Reserve district.



SAN FRANCISCO—This district's big seasonal industry—canning—is now swinging into capacity production, with peak output to be reached in August. Though the early season pack of spinach, asparagus, cherries, and apricots fell below 1939 totals, things are now picking up as work begins on the two major crops—peaches and tomatoes.

The peach pack will just about come up to 1939 levels, but more tomatoes will be canned than last year. Thus, though payrolls in the canning plants were not exceptional earlier this year, from now on they should be better than in '39. This ought to be reflected in retail sales in the Sacramento and San Joaquin valleys, and in the Oakland Bay region.

Southern California Gains

Business continues to improve in southern California. Expansion in aircraft (a monthly recurrence) has stimulated factory and residential construction and kept numerous metal-working firms operating at top levels. There are now close to 40,000 workers in the aviation industry here—double the number at this time last year.

Citrus crops, grown largely in this same San Diego-San Bernardino-Los Angeles area, promise returns near 1937's high level of \$82,000,000, which would be a third better than last year. Indeed, citrus fruits stand out in this district's agricultural outlook and are of major importance in bringing total 1940 income up to within 5% to 10% of 1937's good performance. Another big contributor is livestock, chiefly cattle, sheep, and hogs. By and large, dairy products and most field crops will be just about the same as in 1939.

The Regional Outlook surveys each week three of the twelve business areas of the country.

Defense Reaches Priority Stage

Washington works on plans for giving right-of-way to orders that come first on Army and Navy lists, but insiders see long, slow job ahead.

WASHINGTON (Business Week Bureau)—Under pressure of appropriated billions, the defense program goes forward with accelerated speed. Progress is accompanied by thunderous publicity which serves to rouse the martial spirit in John Citizen but which is also sure to provoke disturbing echoes.

Washington rang this week with another Presidential message calling for close to another \$5,000,000,000 to expand the Navy still further, to provide for the equipment of a wartime Army of as many as 2,000,000 men, to develop the necessary public and private manufacturing facilities, to purchase such specified military items as 19,000 more planes. (But while the general public was listening spellbound to the chant of big money for the long pull, business executives were quietly studying the immediate importance to them of the Administration's new plan, announced Wednesday, to permit amortization of "defense plant" in five years. See Washington Bulletin, page 7.)

The noise tends to convince the public that we are now, or soon will be, able to lick the stuffing out of any country that dares attack us. Truth is that real results will not appear before August, 1941, and that full production of armaments will come some months thereafter.

There are going to be loud and angry yells about next October. By then the Presidential campaign will have reached its emotional peak. Charges of dilly-dallying and shilly-shallying will be as thick as autumn wasps. Much of the criticism will be unfair since you can't have your ordinance the minute you appropriate the dollars; it took Hitler four years to ready a more warlike and disciplined country.

War's Jolts Facilitate Spending

As the Army, the Navy, and the National Defense Commission struggle to step up production they have no worries over money. Appropriations furnish a record of the rising fever.

On April 4 the lower house of Congress passed a bill appropriating \$912,877,724 for the Army. But by the time the bill passed (May 22) Hitler victories had caused the appropriation to jump to \$1,822,552,958. As Nazi triumphs continued a supplemental bill (June 20) added \$1,075,178,808 and a deficiency bill (June 26) tacked on \$213,200 more. Hence the Army now has \$2,897,944,966 to spend.

Similarly the regular Navy appropria-

tion of \$969,954,578 was hiked to \$1,308,171,138 and passed on June 11. A supplemental appropriation added \$559,-

Trains Youth



JOHN HAIEN—for 31 years an active director of youth training—last week took over the job of training thousands of boys for the National Youth Administration. As Director of Mechanical and Manual Training, Mr. Haien will help build a labor reservoir to fill industry's increased personnel needs under the defense program.

Behind the applause which greeted his appointment lies the auto industry's respect for a program which in the past met with much skepticism. But tangible evidence of its success is the annual Chrysler Corp. Boys' Club exhibition—in which 6,000 sons of Chrysler employees participate.

A fundamental of this program is to teach members mechanical skills—not with toys, but with modern tooling devices. Classes are organized like production lines to impress members with another fundamental: That co-operation is necessary to production.

As NYA Director, Mr. Haien will stick to these same principles in establishing work centers equipped with workshops where boys from 17 to 21 years old will be given six months' training.

273,170, bringing the Navy's total to \$1,867,444,308.

Hence the two military departments started the present fiscal year with a total of \$4,765,389,274 that could be spent before June 30, 1941. But that was not enough. Hitler has knocked out France, the Japanese are making eyes at the rich and orphaned possessions of the Dutch in the East Indies. So Congress is expected to give out again—to the tune of another \$5,000,000,000.

Victories in Order-Placing

Military men have won victories in acts governing the spending of the funds. Both the Army and Navy can negotiate contracts, are not required to use (and will not employ) competitive bidding. Their procurement men assert that this not only speeds the placing of orders, hence deliveries, but saves the government money. It is claimed that almost \$17,000,000 was saved on \$414,000,000 in naval contracts placed last week.

Orders are going into the mill at such a rate that Washington begins to whisper of priorities assuring vital requirements a right-of-way in production and shipment. New legislation empowers the President to invoke priorities whenever he sees fit. He is expected next week to establish procedure by executive order. It probably means turning the work over to a new board of which Donald Nelson, the National Defense Commission's coordinator of purchasing, will be an important member. Orders placed by Britain, Canada, Latin-American countries probably will not be disturbed at first but other countries won't be so tenderly treated.

Nations that are in bad also are worrying about the export control established by Presidential proclamation on July 2 (page 44). Licenses are required to ship out a long list of materials and machine tools necessary to defense. So far licenses are being issued (though there are irritating delays at the ports). Here is the machinery for embargoes. Again, it will make all the difference in the world to what countries these items are exported.

Rounding Up Defense Workers

Meanwhile, the National Defense Commission has launched its first defense educational program. A project, approved by the President, will enroll 150,000 youths for immediate training as defense workers. The plan will ultimately include 1,500,000. Fifty thousand enrollees will be taken from the WPA, the rest from lists of state and federal employment services. Cost will be met by \$9,781,000 from WPA funds and \$7,500,000 from the education office of the Federal Security Agency.

Sidney Hillman, Defense Commission member in charge of labor and labor training, has prepared a larger scheme to cost \$500,000,000 which would involve training members of the National Youth Administration and the Civilian Con-

The Crop Reporting Board Works Behind Locked Doors



The government's crop reports are information of the highest value to commodity speculators. This week there was greater than usual interest because Chicago's forecasters had differed widely in estimating the 1940 wheat harvest. Thus, when the Department of Agriculture's Crop Reporting Board (left) gathered on Wednesday afternoon to canvass the telegraphic field reports, locking the doors and disposing burly officers to guard them were not altogether idle gestures. Wheat has had

pretty sharp ups and downs the last few days. Some Chicago Board of Trade experts say the harvest prospect has improved steadily since early spring; others that the crop has gone back sharply over the last several weeks. The crop board, basing its estimates on conditions July 1, puts the wheat crop at 728,644,000 bu., about 21,000,000 bu. above indications a month ago. Gains in winter wheat (see page 18) overbalance deterioration in spring grain so far.

servation Corps in mechanical skills. Owen D. Young, of Mr. Hillman's staff, would coordinate application of the plan.

On July 5, Mr. Hillman and Federal Security Administrator Paul V. McNutt announced appointment of Dr. Will W. Alexander, of the Rosenwald Fund, to their respective staffs. He will serve both agencies in the youth-training program. Other recent additions to the Defense Commission are: George M. Moffett, president of Corn Products Refining Co., as director of the Commission's food division; Admiral William G. DuBose, as assistant to Admiral Emory S. Land in the shipbuilding division; J. C. Nichols, of Kansas City, nationally known as a real estate planner and builder. Mr. Nichols is expected to assist Mr. Knudsen on housing questions.

Hostile to "Slow-Up" Reforms

Despite President Roosevelt's statement that the social gains of his Administration are not going to be surrendered, there is talk of loosening the Walsh-Healey act requirements (for prevailing wages and time-and-a-half after a 40-hour week on government contracts). The military oppose the limitations as slowing production and they are backed by some industrialists. Congress passed the buck to the President by providing that the restrictions remain in force but allowing him to waive them if conditions offer any

justification. There is small chance that any change will be made before the November elections.

Coal Cars Cut

There's no shortage of coal for industry but the car supply has been tightened up.

How big is your industrial coal pile? Re-establishment of the 100% "no-bill" rule by the railroads, effective July 15, again runs up a warning signal to dilatory buyers. Developed mine capacity, as the National Coal Association assured the President last month, is ample to take care of increased demands for soft coal and there is no shortage of labor. But, as in the last World War, the transportation machine may be the bottleneck in the flow of coal from mines to consumers.

Under the rule invoked by the Association of American Railroads for the third time since last September, no open-top cars will be placed at mines where the number of unbilled loads being held equals or exceeds the daily rated capacity of the mine. Because demand for the different sizes of coal necessarily produced in a day's run is seldom, if ever, in equilibrium, it is customary to hold the unwanted sizes in cars at the mines. Under the "no-bill" rule, as soon as the number

of such loads reaches the mine rating, a shut-down will be compelled for lack of car supply—or dumping of the coal on the ground or on a reluctant market. Shutdowns now may have serious repercussions later.

Bituminous production and storage stocks have been running well ahead of last year. But output and storage the first half of 1939 were affected by the six weeks' strike in the Appalachian region. A better comparison would be with 1937. During the first half of 1937, output closely approximated the 220,504,000 tons mined the first six months of this year. Stocks in the hands of industrial consumers as of June 1, 1937, totaled 38,169,000; a month ago they were 32,449,000 tons; consumption for the first five months of 1937 was 29,377,000 tons; for the first five months of 1940 it was 25,787,000 tons. But there was no major defense program coming up in 1937.

At present the bituminous mines are holding about 35,000 unbilled loads. Practically all of this is industrial coal. Current consumption, it is estimated, is running close to current production and the June reserve stocks represented only a 39 days' supply at present consumption rates. Demand for open-top equipment for steel, ore, sand, gravel and scrap iron is increasing; meeting this demand is eating into the equipment supply which otherwise might go to the mines.

It's Still a "Chemical War"

And, if emphasis has been shifted from gas and flame to smokeless powder and TNT, chemical industry still has rush job in defense program.

CHEMICAL manufacturers are finding out that Germany is fighting a different sort of war from what the military strategists had predicted. So far, at least, it has shown but few of the well-publicized features of the "chemical war" for which the world has been preparing ever since the Germans first used poison gas at Ypres in 1915. Result is a radical change in our concept and requirements for chemical munitions. Emphasis has shifted from gas and flames to smokeless powder and TNT.

The airplane bomb carries more explosive per pound of metal than any other munition. Some of the heavier bombs that weigh from half a ton to two tons will contain as much as 60% by weight of TNT as compared with only 15% to 20% for 75 mm. and 155 mm. artillery shells. Anti-aircraft guns are also prodigious users of ammunition, calling for far more powder and propellants than World War experience indicated.

All this has conspired to put military explosives at the top of all priority lists in the national defense program. The first appropriation bill for army ordnance provided \$30,000,000 for a new smokeless powder plant to produce 50,000,000 lb. a year. Its location and who's to build it are still to be decided. A plant of similar capacity is already under construction for the Tennessee Powder Co. at Memphis. The du Pont company is building it on a straight fee basis with money originally put up by the Allies. Neither of these plants can get into operation, however, in less than six or eight months.

Immense—But Just a Start

But even 100,000,000 lb. of smokeless powder are only a start toward preparation for anything like total defense. In the 19 months that we were in the World War we produced 632,504,000 lb. of propellants—more than England and France together. In November, 1918, our monthly rate of output was 42,775,000 lb. of smokeless powder and 47,888,000 lb. of high explosives. That these plants should have been completely dismantled and the equipment junked is one mistake that the American public will have to charge up to the pacifist thinking manifest only a few years ago in campaigns against munitions-makers.

Now it is the American chemical industry's job to help the government in building back its military explosives business as rapidly and efficiently as possible. Part of the pattern for this

program was revealed by Col. J. H. Burns of the Army and Navy Munitions Board in recent testimony before the House Military Affairs Committee. If and when additional funds are available, the Ordnance Department wants to build 18 new explosives plants to cost almost \$300,000,000. These include four more for smokeless powder at \$188,000,000, four TNT plants at \$42,000,000, two tetryl (another high explosive) plants at \$6,000,000, two picric acid and explosive D (ammonium picrate) plants at \$8,000,000, two purification plants for guncotton at \$6,000,000, two ammonium nitrate (substitute for TNT) plants at \$18,000,000 and another synthetic ammonia plant at \$15,000,000. Chemical manufacturers have been told that these sums plus, perhaps, another billion will ultimately be appropriated for chemical munitions.

Synthetic ammonia, toluol and sulphuric acid are perhaps the most essential raw materials needed in explosives manufacture. All three are thriving peace-

time industries in the United States. We lead the world in sulphuric acid capacity and presumably can greatly expand our toluol production at coke ovens and manufactured gas plants. New synthetic processes based on petroleum hydrocarbons have already reached pilot-plant scale of operations. But our production capacity in the case of ammonia is far below that of Germany.

Below Blitzkrieg's Demands

Germany's own plants have an annual capacity of over 1,500,000 metric tons of nitrogen and she probably picked up additional capacity of at least 250,000 to 300,000 tons in Norway, Belgium, Holland and France. Our plants made only 215,000 tons of nitrogen last year; in addition, we have a highly questionable standby capacity of 40,000 tons at Muscle Shoals. Figured in terms of President Roosevelt's 50,000 planes, our present total nitrogen capacity would provide only about 35 one-ton bombs per plane per year. That would be scarcely enough for one week's supply in a modern blitzkrieg.

It would cost perhaps \$100,000,000 to duplicate the synthetic ammonia capacity of our principal plants—du Pont's at Belle, W. Va., and Solvay's at Hopewell, Va. A plant site for one such project has recently been purchased by the du Pont company between Morgantown and Fairmont, W. Va. There has been

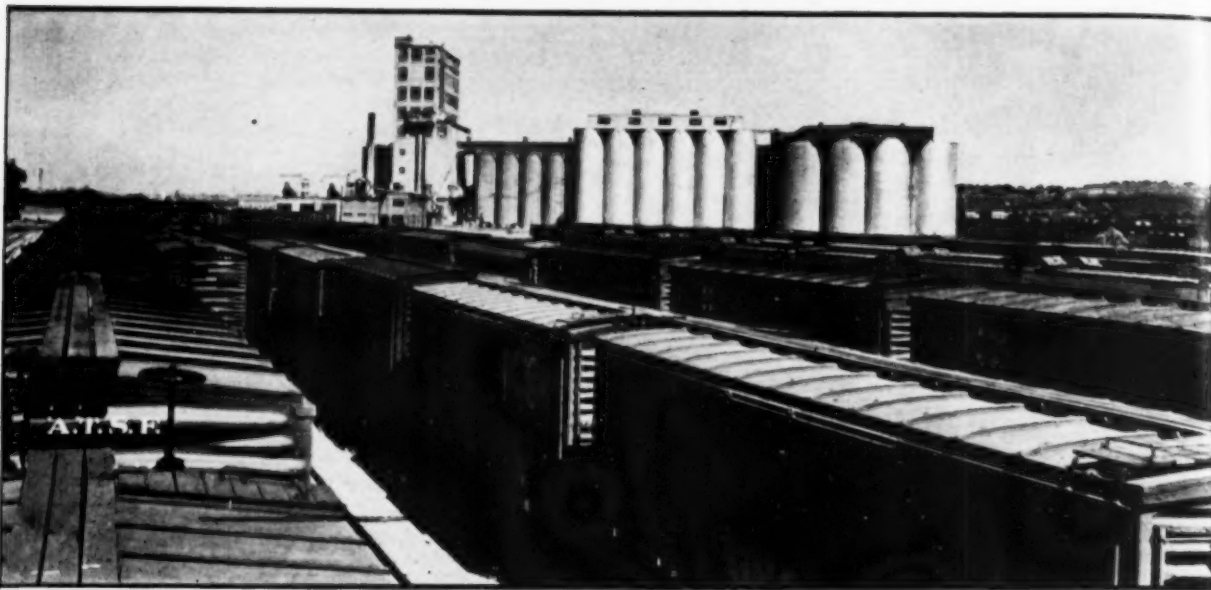
"For National Defense in Time of Emergency"



800 men left their regular jobs last week to spend a month at the business and professional men's training camp in Plattsburg, N. Y.—set up again after 20 years. These men, at their own expense (\$43.50), are being

trained as infantrymen—with no definite promise of a commission from the War Department. The group ranges in age from 25–50, includes everything from mechanics to publishers, judges, and a Rockefeller.

Kansas Winter Wheat Pours Into Market



MILLIONS OF BUSHELS of winter wheat are rolling from Kansas fields to terminal markets, and here are some of the boxcars carrying it. This lineup is nearly a mile long and 15 tracks deep at a Santa Fe railroad terminal elevator, a few miles west of Kansas City. Scenes like this were typical on July 5, when 3,076 cars clogged the city's yards, waiting to be unloaded or forwarded the morning after the holiday.

Primary factor in the rush of grain to market is the big improvement in the Kansas winter wheat crop since early in the season, when the estimate was a disheartening

55,000,000 bu. Each week for nearly two months has added between 3,000,000 bu. to 5,000,000 bu., until the harvest now looks to be only moderately below average.

Other factors are: (1) bumper crops in areas where barely average yields were expected; (2) use of combines, which speeds up harvesting and marketing; (3) peculiar weather, which resulted in most of the grain maturing at the same time; (4) desire of farmers to get wheat, pledged under federal loans, into first class elevators, instead of makeshift bins on the farm where losses are likely to be too high.

talk, too, of several smaller plants of 10,000 to 20,000 tons capacity to be built on the Gulf Coast or in inland areas where natural gas or coke oven gas might be used as raw material. The industry's present preference is for coal.

Synthetic rubber continues to hold a high place among the materials the War Department regards as of "strategic" and "critical" importance. As in the case of synthetic ammonia, we have the "know-how" in this country and the nucleus from which we might build, if necessary, for our complete independence of foreign supply. It is a long way, however, from the 1700 tons of synthetic rubber we produced last year to the 600,000 tons of natural rubber we imported. This year we will do better, making at least 10,000 tons of synthetic rubber, with du Pont contributing more than a third and the balance coming from Goodrich, Standard Oil, Dow, and Firestone. The Defense Commission has estimated that 200,000 tons of synthetic rubber will be required for complete independence and this would call for at least \$150,000,000 of new capital.

The chemical industry is well organized to contribute its share in the national defense program. Almost two years ago a group of representative committees was set up under the general chairman-

ship of E. M. Allen, president of Mathieson Alkali Works and at that time president of the Manufacturing Chemists' Association. This committee, working with the Army and Navy Munitions Board, made a series of surveys of the chemical needs of the military program; now it is renewing its activities.

Important Raw Materials

In the language of the National Defense Advisory Commission, chemicals are primarily raw materials. This means that they come principally under the organization setup of Edward R. Stettinius, Jr. He appointed as head of his Chemistry and Allied Industries Division, Dr. Edward R. Weidlein, Director of Mellon Institute of Industrial Research and former president of both the American Chemical Society and the American Institute of Chemical Engineers.

Weidlein has now selected as his direct assistants Dr. D. P. Morgan, chemical economist of Scudder, Stevens & Clark, investment counselors of New York, and Dr. E. W. Reed, senior research fellow for Carbide & Carbon Chemicals Corp. at Mellon Institute.

Long before the present relationship between chemical industry and the government was consummated, the Chemical Warfare Service had set up its own

procurement program on a somewhat comparable basis. Five geographical districts had been organized, each with advisory boards made up of eight to 15 leading industrialists. Educational orders had been placed for gas masks and related equipment and a chemical defense program outlined. Appropriations totaling more than \$25,000,000 have already been authorized and the additional program outlined by Colonel Burns calls for \$40,000,000 more to expand the arsenal at Edgewood and build a new one, besides a number of smaller chemical plants.

All these appropriations—for Army and Navy Ordnance and for Chemical Warfare—add up to almost a half-billion dollars to be spent for chemical plants, chemical engineering equipment and chemical raw materials. Perhaps it's a chemical war after all.

Food for Thought

THE BERLIN CANNERY in Berlin, Conn., packs rabbit meat (with or without bones), rabbit livers, and rabbit rice soup. Rabbits are clean and inexpensive to feed, mature fast, and breed often. Maybe Americans have been overlooking a good bet for the daily diet. . . . Weber & Mollner of Los Angeles offer evaporated apple sauce; 4.5 oz. make a quart.

Whose Responsibility?



Burroughs makes available to every line of business information about new Burroughs machines and developments, and their application to current accounting problems.

Who in your office is responsible for keeping informed about new machines, features and applications that might save time, effort and cost in office work?

Typical of the savings being made by both large and small concerns in every line of business are these:

\$125.00 A MONTH SAVED ON COST OF KEEPING PAYROLL RECORDS

A small concern saved \$125 a month by installing a new Burroughs to write related payroll records in one operation.

AVERAGE ANNUAL SAVING OF \$7,455.81

Analysis of 34 recent installations of new Burroughs statistical equipment showed that each averaged an annual saving of \$7,455.81 from an average investment of \$7,808.82—a 95.5% return on each investment in new Burroughs equipment.

SAVED \$118,462.88 IN PURCHASE PRICE

In buying 754 Burroughs Calculators, one concern saved \$118,462.88 because the Burroughs range of calculators is so complete that the exact style and size required for each desk could be purchased—without overbuying!

Who in your office should keep abreast of Burroughs developments and their application to current problems? Send us his name and we will keep him informed of new ways to save on office work.

Today's
Burroughs

DOES THE WORK IN LESS TIME • WITH LESS EFFORT • AT LESS COST

BURROUGHS ADDING MACHINE COMPANY
6119 Second Blvd., Detroit, Michigan

☐ I should like complete information immediately applying to _____

☐ Please place the following name on your list to receive information about new Burroughs developments.

Name _____ Title _____

Company _____

Address _____

Canada Takes Over

Dominion industry brought under centralized control in dramatic reorganization for victory.

OTTAWA (*Business Week Bureau*)—Neither Hitler nor Stalin has greater authority over his country's industry than was granted last week to Canada's new Wartime Industries Control Board by the Ottawa government. A dramatic reorganization has been effected to meet the demands for speedy deliveries of all kinds of war supplies.

Canadians have no thought of going permanently totalitarian, but for the duration of the emergency they are prepared to accept almost any government demands in order to get maximum output out of their manufacturing plants.

Responsible for Planning

The Ottawa government took three steps to put the drastic reorganization plan into immediate effect:

(1) A Wartime Industries Control Board was created (see table). It was not necessary to vote sweeping new powers for the organization for they had already been granted by the Dominion Parliament. But when the Board members were called together by the government last week, they were told that all of the wartime authority that had been voted by Parliament in the last 10 months was to be centered in their Board and that they would be held responsible for planning and coordinating all of Canada's defense efforts.

(2) Strategic war supplies will be bought or manufactured by a series of government-owned corporations which will have authority to assist in the financing of plant extensions where that is necessary to assure prompt delivery of war supplies, or of special machinery which private industry could hardly be expected to buy without government aid because its use is limited to wartime production. Two of these corporations were set up last week.

Watches Buying, Distribution

Citadel Merchandising Co., Ltd., with headquarters in Montreal, is to centralize the control of production, purchases, and distribution of all machine tools. It will place orders for their manufacture in Canada and the United States, buy whatever is available elsewhere, and distribute according to the requirements of industries which are engaged in war work. Federal Aircraft, Ltd., also with headquarters in Montreal, is to be responsible for the training planes needed for the pilot training scheme which was conceived on an Empire-wide scale but which, because of the speed of the Nazi conquests, Canada is being left to execute almost alone.

The new departure of creating govern-

Canadian War Directory

WHEN CANADA declared war on Germany last September, it created a war industries commission in Ottawa immediately, but until the Nazi invasion of Holland on May 10, Ottawa plans were built around a scheme for large-scale cooperation between British and Canadian manufacturers.

Following the capitulation of France, the prospect that Nazi bombing might make it difficult for British manufacturing units to maintain regular deliv-

eries caused Dominion authorities to make drastic changes in their defense construction program so that Canada's plants would function so far as possible as self-contained units.

Here are the persons with whom business will deal in the Dominion's reorganized setup. "Ottawa, Canada" is a sufficient address to reach all of them except those specially listed as maintaining offices in Montreal, London, or New York.

Department of Munitions and Supply

C. D. Howe (American-born engineer), minister.

G. K. Sheils (General Steel Wares Ltd., Toronto), deputy minister.

W. C. Woodward (Woodward Stores

Ltd., Vancouver), chairman, executive committee.

Other members of executive committee have been recruited from industry and business.

Government-Owned Corporations

Federal Aircraft Ltd. (Montreal)

Organized to rush production of 1,500 Avro Anson training planes, engines for which are on order in the United States.

R. P. Bell (Pickford and Black, Halifax), president.

Citadel Merchandizing Co. Ltd. (Montreal)

Organized to take general charge of securing supplies for war industries, including machines and machine tools. The company will have a New York representative for purchases in the United States.

Thomas Arnold (Manitoba Steel

Directors

Blair Gordon (Dominion Textile Co., Ltd.).

Sydney Dawes (Atlas Construction).

R. Smith (Canadian Industries, Ltd.).

A. Aitken (Price Bros. & Co., Ltd.).

Foundries, Ltd., president.

L. J. Belnap (Consolidated Paper Corp.), vice-president.

Directors

J. D. Johnson (Canada Cement Co.).

C. E. Gravel (Bell Telephone Co.).

F. K. Morrow (Wisil, Ltd.).

Allied Supplies, Ltd. (Montreal)

Organized to coordinate and control production of munitions and supplies.

Charles Dunning (ex-Finance Minister), chairman.

Wartime Industries Control Board

Hugh D. Scully (Commissioner of Customs for Canada), chairman and steel controller.

Board Members

H. R. MacMillan (H. R. MacMillan Export Co., Vancouver), timber controller.

G. C. Bateman (Canadian Institute of Mining and Metallurgical Engineering, Toronto), metals controller.

George C. Cottrell (Canadian Bank of Commerce), oil controller.

National Labor Supply Board

A. J. Hills (Canadian National Railways), chairman.

Liaison Officers

J. B. Carswell (Burlington Steel Co., Hamilton), New York.

C. A. Banks (Bulolo Gold Dredging, Ltd.), London.

H. B. Chase (Brotherhood of Locomotive Engineers), labor liaison.

Directors

W. F. Drysdale (Montreal Locomotive Works), munitions and gauges production.

W. S. Lecky (Holman's Machines, Montreal), assistant for gauges production.

Dr. C. A. Robb (University of Alberta), assistant for gauges production.

J. R. Donald (J. R. Donald Co., Montreal), chemicals and explosives production.

W. J. Sanderson (Fleet Aircraft, Ltd., Fort Erie, Ont.), aircraft production.

D. Stairs (Montreal Construction Co.), defense projects construction.

D. B. Carswell (Dept. of Transport for Canada), shipbuilding.

G. Igilvie (Dept. of National Defense for Canada), plant survey and production.

J. P. D. Malkin (W. H. Malkin & Co., Vancouver), purchases.

Staff

S. W. Fairweather, economic adviser.

F. E. Wood, cost investigation.

W. C. McEachern, personnel.

B. S. Liberty, transport controller.

R. Thomson, publicity.

H. G. Caldwell, statistics.

Purchasing

J. Eaton (Canadian Pacific Railway, Montreal), general purchasing agent.

L. L. Price (Canadian National Railways, Montreal), assistant general purchasing agent.

D. P. Buckley, aircraft.

T. A. McCormick, barrack stores.

W. J. Atkinson, fuel and paints.

C. P. Morrison, machinery and tools.

E. S. Hoare, naval stores.

C. A. Briggs, clothing.

W. E. Wilford, food.

C. B. Doheny, mechanical transport.

C. E. W. Morshead, building supplies.

A. P. Labelle, medical supplies.

NOW Half the Size Half the Price



SLEEP IN COMFORT

Carrier Room Ventilator brings in cool night air . . . shuts out dirt, pollen, noise . . . provides gentle, draft-free ventilation and air movement. Ideal for bedrooms, hay fever sufferers, nursery and offices. Easily installed.

\$89⁵⁰

AND UP



CARRIER ROOM VENTILATOR

SINCE 1932, when the first Carrier Room Weathermaker was installed, more Carrier room air conditioners have been put in use than any other make. Naturally, you'd expect Carrier to be first with improvements now. And Carrier is! The 1940 Carrier Room Weathermaker is *half* its original size—*half* its earlier price—yet with more comfort features for you than ever before.

There's *extra* cooling for you, in the *extra* capacity that comes with Carrier's exclusive Sub-Cooling. There's *extra* comfort in that oversized dehumidifier . . . in the Air Director that sends the cool, clean air where you want it . . . in the Smoke Exhaust and Air Selector that give you personal control over the air you breathe . . . in *two* sizes that give the proper cooling for your room's requirements.

If you're a hay fever victim, you'll be particularly interested in the extra efficient filter system that gets all the dirt, dust and pollen out of the air.

The 1940 Carrier Room Weathermaker gives more

Cooling
for your money

- 1 MORE COMFORT without additional operating expense . . . thanks to exclusive Sub-Cooling.
- 2 YOU BREATHE all outside air, all inside air, or any mixture of air you desire . . . with the Air Selector. All air is filtered all the time.
- 3 CLEAR THE ROOM QUICKLY of smoke or fumes at the flip of a finger . . . with the Smoke Exhaust.
- 4 DIRECT AIR WHERE YOU WANT IT—without drafts . . . with the Air Director.
- 5 EASY INSTALLATION—Just one connection; plugs into electric outlet like a lamp. No pipes, no drains.
- 6 YEAR 'ROUND USE—Provides Carrier comfort every month of the year, summer and winter.

Economy and dependability are backed by Carrier's 38 years of experience in 99 countries of the world. Call your Carrier Representative today. He's listed in your classified phone book. And remember, when you call Carrier, you call air conditioning by its *first* name.



Visit the Carrier Igloo of Tomorrow at the New York World's Fair. See the "Human Furnace" . . . cool your feet at the "Gold Dog Stand."

CARRIER CORPORATION
"Weather Makers to the World"

DESK 9BW

SYRACUSE, N. Y.

(In Canada: 30 Bloor St. West, Toronto, Ont.)

How much will it cost me to have a comfortable ☐ office ☐ room at home with the Carrier Room Weathermaker.

This room is on ☐ the sunny side ☐ the shady side.

☐ Tell me more about the Carrier Room Ventilator.

NAME

COMPANY

ADDRESS

AIR CONDITIONING'S *First Name*—





The talk of Memphis....

because of LOW first cost,
quick erection, LOW rentals,
high occupancy, LOW maintenance!

...a triumph of **CONCRETE**

Because frame, floors, walls and ornament were cast as one unit, first cost was low.

Because the enclosing walls were erected as the building rose, precious time was saved.

Because of concrete's economy of first cost and maintenance, low rentals were made possible.

Because of low rentals for such a smart, impressive modern building, high occupancy was quickly attained.

This outstanding example of concrete construction—the Kimbrough Towers, at Memphis—was designed for John F. Kimbrough, Jr., realtor, by H. M.

Burnham, architect, and H. B. Hulsey, associate architect; Gardner & Howe, structural engineers; S. & W. Construction Company, contractors (all of Memphis).

Ask your architect or engineer about the advantages of concrete. Write for illustrated booklet, "*The NEW Beauty in Walls of Architectural Concrete*," mailed free in the U. S. or Canada, or ask for a representative to call.

Architectural Concrete

...COMBINING ARCHITECTURAL AND STRUCTURAL FUNCTIONS IN ONE FIRESAFE, ENDURING MATERIAL

PORTLAND CEMENT ASSOCIATION, Dept. 7b-12, 33 W. Grand Ave., Chicago, Ill.

A national organization to improve and extend the uses of concrete... through scientific research and engineering field work

ment-owned companies to take charge of certain branches of war industry is to remove these branches from the red tape of Ottawa bureaucracy. The companies are staffed by outstanding business men and industrialists. Their headquarters are away from Ottawa. They are self-controlled, and are responsible only to the Munitions and Supply Minister, C. D. Howe.

(3) The British government's War Supply Board is being discontinued in Canada. Beginning immediately, the Canadians are responsible for their own defense buying and for all British orders. In Canada, the British government will now deal directly with Minister C. D. Howe; in the United States, it will deal with its own representative, Arthur B. Purvis, who happens to be a Canadian, though he is the direct representative of the London government.

End Kansas City Feud

Court restrains Kansas terminal from wooing Missouri dealers with undue concessions.

OPERATORS of terminal produce markets in interstate trade may give tenants bargains in rentals, but when it comes to rebates, advertising allowances, free storage, and arrangements for bank loans with inadequate security—well, that's carrying things a bit too far. So says the federal District Court in Kansas City, Mo., which this week made permanent the injunction issued a few months ago (*BW—Mar. 30 '40, p. 32*) restraining Kansas City, Kan., from granting concessions to persuade produce dealers to desert their old quarters in Kansas City, Mo., and come across the river to the new municipally-owned \$4,000,000 terminal on the Kansas side. The Union Pacific Railroad, which purchased \$3,000,000 of bonds issued by Kansas City, Kan., and 32 produce dealers were also named in the injunction.

Prodged by Fear of Losses

The action was brought originally by the Interstate Commerce Commission, which claimed violation of the Elkins Act, and by the Santa Fe, Rock Island, Burlington, and Missouri Pacific railroads. These lines feared huge freight revenue losses if the Union Pacific should through produce dealers at the new Kansas terminal control the diversion and routing of the 40,000 cars of produce that move through the Kansas City region annually.

Actually, before the injunction was issued, many Missouri dealers who had gone over to the Kansas side had returned to their old stamping ground, for they feared stoppage of the Kansas concessions and loss of sales to Missouri retailers who threatened to boycott the "deserters."

LABOR AND MANAGEMENT

Wage Law Novelty

Arnold charges that workers were underpaid through conspiracy of employers' customers.

THE BIGGEST federal action to date involving charges of minimum-wage law violation is being brought by the division of the Attorney General's office concerned with violation of the anti-trust law against an association and a group of competing corporations none of which employs the workers who are alleged to have been underpaid.

The defendants are the American Pulpwood Association and 12 corporations that handle 80% of the business of making American kraft paper and kindred products. The employees involved are 70,000 forest workers hired by "producers" who supply the wood used by the defendants. The prosecutor is Assistant Attorney General ("Trust Buster") Thurman Arnold. His indictment charges that the wages of these workers have been held below the legal minimum (now 30¢ an hour) through concerted control of the producers' operations by the defendants.

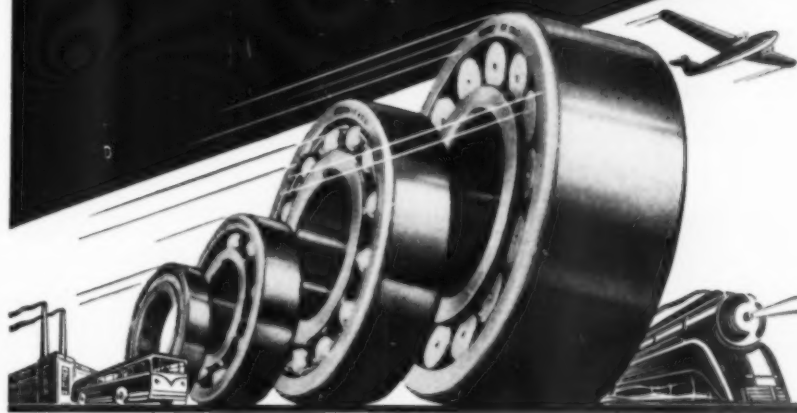
Under this conspiracy charge conviction could bring a maximum fine of \$10,000 against the \$5,000 maximum that Mr. Arnold could get for successful prosecution of one of his anti-trust law cases—conspiracy being a felony, Sherman law violation a misdemeanor. The action also departs from Mr. Arnold's routine in naming only corporations, no individuals, as defendants. And as a minimum-wage law case it is a novelty in that all such cases brought heretofore have been confined to single companies.

First reply of defendant interests to Mr. Arnold's novel procedure is that it is "perfectly ridiculous."

Toledo Tells Its Story

IN THE SPIRIT of civic cooperation for which, in the last five years, their city has been exemplary, 15 Toledo industries and the Toledo Chamber of Commerce are telling the story of Toledo in the August issue of *Factory Management*, devoted to the theme: "What Industry Can Do for America." The story is being related in a case history of the city and in fifteen individual advertisements and an advertisement from the Chamber of Commerce. Notable Toledo achievement has been its cooperative approach to labor problems, which has converted one of the most publicized trouble spots in America into one of the country's most persuasive examples of industrial mediation (*BW—Mar 14 '36, Nov 21 '36, Dec 25 '37*). Leadership has been furnished by Toledo's industry-organized Toledo Associates.

SKF ROLLS ON TO GREATER LEADERSHIP!



AMERICA'S No. 1 MANUFACTURER OF INDUSTRIAL BEARINGS EXPANDS FOR INCREASED SKF PRODUCTION

Industry, no longer marking time, marches on to new triumphs of production . . . of new planes swarming in thousands and darkening the skies . . . of new machines turning out supplies for national preparedness . . . of new ships to span the sea . . . new vehicles to speed across the land.

And SKF, knowing full well that all of these operations call for bearings and still more bearings, adds a new plant to bolster . . . to double . . .

its already vast production facilities!

Soon America's No. 1 industrial bearing will be flowing in ever-increasing numbers from two great Philadelphia plants, doubling the production demanded by the country's new program of expansion.

No matter what your bearing problem happens to be, put it up to SKF. There is an SKF Bearing for practically every industrial need. SKF Industries, Inc., Phila., Pa.

4505

SKF
BALL AND
ROLLER BEARINGS

Plant No. 2, also in Philadelphia, Pa. . . the new addition to SKF facilities with which SKF will meet every demand for quality bearings.



Wagner Act Faces a Crisis

For four of its five years, National Labor Relations Act weathered all attacks, but now the Smith amendments, backed by the A.F.L., threaten reorientation.

LAST WEEK marked the fifth anniversary of the National Labor Relations Act. This week, the National Labor Relations Board, which swung into action four months after passage of the law, offered its 56-month record (see chart, page 26) to support its argument that the Wagner act should not be amended, that the Board should not be changed.

Despite constant attack from business since its formation, the NLRB has been thus far singularly successful in warding off fundamental reform. It has, of course, made one or two concessions under fire—most notable of which was the permission given to employers to petition for an election when they could demonstrate a genuine willingness to bargain with labor and an inability to decide between two competing labor organizations as to which represented a majority of employees.

The secret of the board's success through almost four of its five years in beating back every attack was a simple one. Its strength was compounded out of three things: a friendly Administration; a labor movement of great political power which could be counted on, despite its internal split, to rally to the

Wagner Act's support; and a board made up of three men who saw eye-to-eye on the objectives and the operation of the law.

Green Becomes an Enemy

Today, the picture has been changed and, in the face of the most serious attack the board has ever had to meet, it is decidedly vulnerable. The first defection among the board's supporters, and the one which may prove its undoing, was that of William Green, president of the American Federation of Labor. When Green decided last year that the NLRB was doing more for the C.I.O. than it should, he changed from occasional friendly critic to outspoken opponent. Instead of directing his fire against the act itself, he concentrated his energies in blocking the reappointment of Board Member Donald Wakefield Smith, whose term was then about to expire. Green's campaign was successful, and the President named William M. Leiserson to the post.

Leiserson's appointment broke the board's united front. It meant that the NLRB now had a member who disagreed on principle with the board's

administrative precedents and who was likely to oppose the interpretations and procedures which the majority sanctioned. Nor could Leiserson's dissent be dismissed as blind opposition, for he had been chairman of the National Mediation Board for the railroad industry and the record which he established in that job as a believer in collective bargaining was beyond reproach.

Almost simultaneous with the Leiserson appointment, came the House investigation of the NLRB by a special committee under Rep. Howard W. Smith. As a result of this probe, Smith introduced a bill to amend the National Labor Relations Act. On June 7, with the support of the A.F.L., the House passed this measure by a vote of 258 to 129. The Smith amendments will shortly be considered by the Senate Committee on Education and Labor.

What New Bill Proposes

The Smith bill provides for drastic changes of the act.

(1) It would, if enacted, make it mandatory for the board to certify craft unions as against an industrial or plant-wide union, where a preponderance of votes favored the craft idea. Now such certification is discretionary.

(2) It would limit to one year the payment of back wages to reinstated employees. Now there is no limitation.

(3) It would re-define the term "employee" to provide that the board could not reinstate any worker shown by "a preponderance of the testimony" to have "willfully engaged in violence or unlawful destruction or seizure of property in

The Labor Movement Unites for National Defense



LAST WEEK, at the first meeting of the Labor Policy Committee, appointed by Labor Defense Commissioner Sidney Hillman, all factions of the labor movement sat down together in peace for the first time since the A.F.L. and C.I.O. went their separate ways in 1936. Hillman, at the head of the table above, is flanked by Van A. Bittner (right), C.I.O. power, who is a director of the Packing House Workers Union, district president of the United Mine Workers, and co-chief of the Steel Workers; and by Dan

W. Tracy, president of the International Brotherhood of Electrical Workers, one of the A.F.L.'s strongest craft groups. All told, the committee is made up of eight A.F.L., six C.I.O. union officials, and two officers from the railroad brotherhoods.

The first objective will be to join idle men and waiting jobs in the industrial mobilization for defense. After that, it is expected to get to work on the task of keeping labor problems from interfering with preparedness.

Wide World

There's a new light in their eyes



THE OTHER DAY a parade swung down the street. The band was playing "The Stars and Stripes Forever." And as the colors passed we thought we saw a new light in people's eyes.

Maybe you've noticed it, too. We figured it's because people feel a new pride in the flag nowadays, and the things it stands for. Democracy. Freedom of speech. Racial equality. A lot of things which seemed kind of abstract to some of us a few years back are now suddenly terribly real.

That's probably why more and more

people are looking at their United States with new eyes today. Going to Mount Vernon and Washington. Driving to the national parks. Reviewing American history. Reading the lives of great Americans like Jefferson and Lincoln and Franklin. Keeping in touch with the real America—its ideals, its struggles and its triumphs.

To us who publish the Post this spirit seems more important today than at any time we can remember. And we believe that everybody in these United States feels the same way.

★ THE SATURDAY EVENING **POST** ... *America between two covers*

It Pays to Take the Century

NEW YORK—
CHICAGO



*For "The Meals
of the Century"*

Enjoy an "Overnight Vacation" on the Century—the inviting Club Lounge, Scenic Lounge, gay Cafe Century. Air-conditioned comfort. All accommodations *private rooms*.

Daylight Saving Time

Le. N. Y. 6:00 PM — Ar. Chicago 9:00 AM
(Grand Central Term.) (La Salle St. Sta.)

Le. Chicago 4:00 PM — Ar. N. Y. 9:00 AM
(La Salle St. Sta.) (Grand Central Term.)

20TH
Century
LIMITED

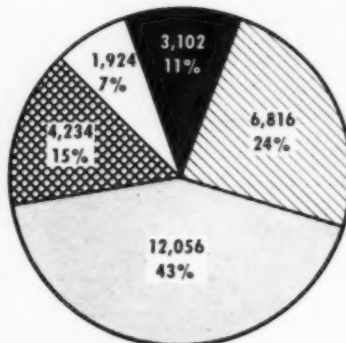


The Water Level Route
... You Can Sleep

FIVE YEARS UNDER THE WAGNER ACT

How the National Labor Relation Board has handled
28,132 cases involving 6,148,000 workers

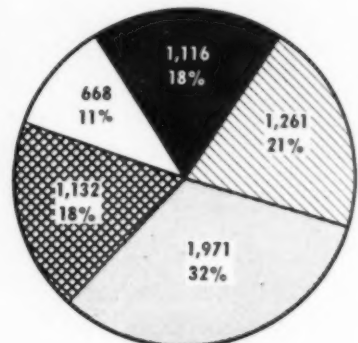
NUMBER OF CASES



Cases pending

Withdrawn by petitioner

NUMBER OF WORKERS
INVOLVED
(000 omitted)



Closed by agreement

Dismissed by board

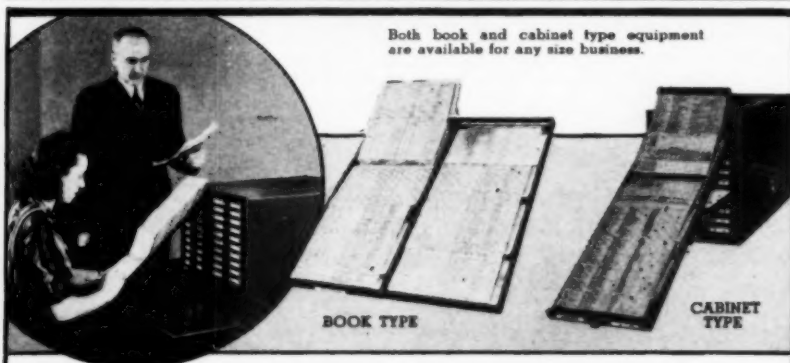
Closed other ways*

* Compliance with Board decisions, certification after elections, refusal by Board to certify, reports finding no violations, transfer to other agencies, and issuance of cease and desist orders.

Data: National Labor Relations Board

© BUSINESS WEEK

Statistics on the size of NLRB's job don't tell the whole story; for example, it claims to have averted 838 strikes involving 192,967 workers.



Both book and cabinet type equipment
are available for any size business.

BOOK TYPE

CABINET TYPE

THESE IMPROVED VISIBLE RECORDS PROVIDE COMPLETE BUSINESS CONTROL

With Globe-Wernicke visible records you can have important facts at your fingertips regarding stock, payroll, sales, credit and other departments of a business . . . information that may mean the difference between profit and loss.

G/W exclusive patented features have many distinct advantages for users. Stock or special forms for every record need. Our dealer in your city will gladly tell you about improved Globe-Wernicke visible records and recommend an efficient, economical system that will save time and money . . . or write direct to us for typical sample forms. Please mention kind you want.

The Globe-Wernicke Co. . . CINCINNATI, O.

connection with any labor dispute." Now the act's protection covers sitdown strikers.

(4) It would separate the judicial and prosecuting functions of the board. This would be achieved by the creation of an "administrator," whose function would be to carry on the investigating and prosecuting functions entirely separately from the judicial function. Now there is no such functional differentiation; the board investigates, prosecutes, and judges.

(5) It would amend the section prohibiting coercion or intimidation of workers by employers to provide that "nothing in this act shall be construed or interpreted to prohibit any expressions of opinion with respect to any matter which may be of interest to employees or the general public. Now the board is likely to rule that an expression of opinion by an employer about a labor organization is an unfair labor practice.

(6) It would require that the board adhere to the common law rule that "a preponderance of the testimony" is necessary to establish a violation of the law. Now the board operates under a declared rule which holds that board hearings are not necessarily governed by the formal rules of evidence.

(7) It would make the board's findings of fact subject to court review. Now only its decisions may be reviewed.

(8) It would exempt employers from

the compulsion to bargain with their employees if they are represented by aliens. Now there is no such provision and Australian Harry Bridges of C.I.O.'s longshoremen and Canadian Harold Pritchett of C.I.O.'s woodworkers have often undertaken to represent employees in bargaining negotiations.

Running hand in hand with the campaign to amend the law is the drive to prevent the reappointment of J. Warren Madden to the board's chairmanship. Madden's term expires Aug. 27, and critics feel that if he is replaced by a man of Leiserson's stripe, the board will have a "safe" majority and their objectives will be achieved, even if the Smith amendments fail of Senate passage or encounter a Presidential veto. Secretly supporting the move to drop Madden are many earnest New Dealers who think that the board's majority is now a political liability and who fear its administrative "tactlessness" in a campaign year. Allied with them is another Washington group, holding that a reconstituted board under the leadership of Leiserson is less of a threat to a major New Deal reform than the Smith amendments. Clearly, part of the "fire Madden" sentiment is calculated to forestall passage of the Smith bill.

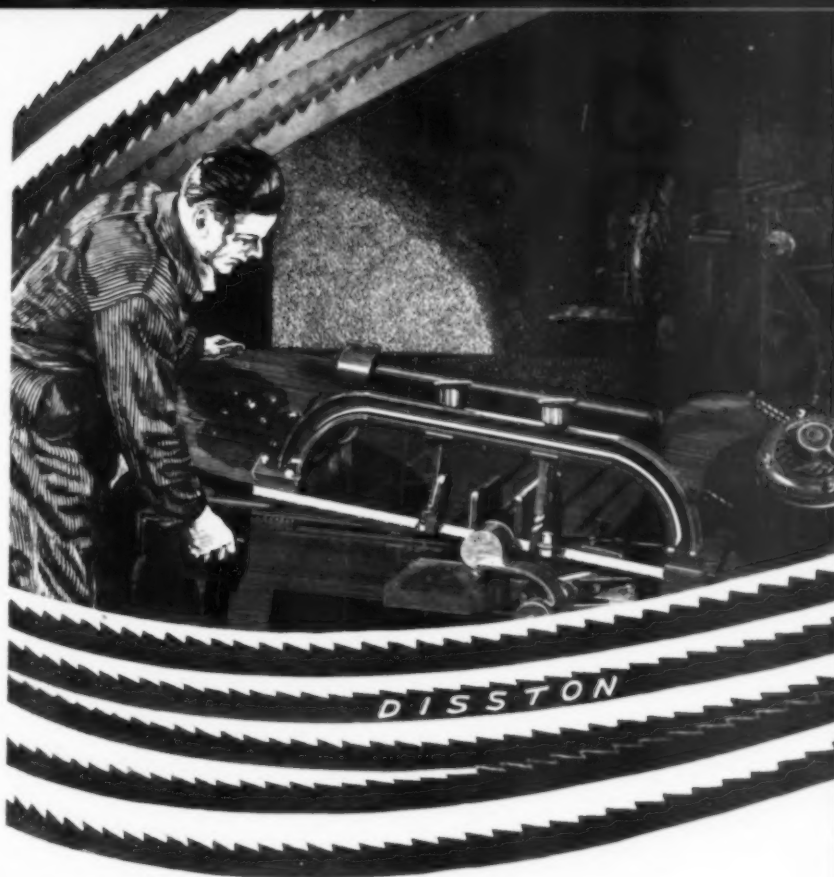
Peace Comes to Coast

With settlement of cooks' dispute, longshoremen's contract can be negotiated in tranquility.

WEST COASTERS have learned it's never safe to bet on what's going to happen along their turbulent maritime labor front. But completion of a new agreement in San Francisco last Friday between the Marine Cooks and Stewards Association and the Pacific American Shipowners is generally interpreted as promising a progressively peaceful summer and fall.

To the rugged, hard-boiled shipowners who make up the Waterfront Employers Association that prospect is important, for in September their contract with the International Longshoremen's and Warehousemen's Union expires, and negotiations for its renewal can now be undertaken without the distraction of dealing simultaneously with another maritime labor dispute. The shipowners feel Harry Bridges has thus been defeated in the deliberate campaign which they accuse him of having conducted since last August—a campaign to reduce the industry-wide, employer-union contractual relations to chaos before the longshoremen, Bridges' key unit, start negotiating.

The "scheme" has gone progressively awry since Bridges pulled the ship clerks' strike last fall. For once, the farmers-shipers in the San Francisco back-country supported the shipowners, and Australian Harry received his first major defeat since he walked cockily on the



Your Metal Band Problems

SOLVED BY THIS BAND SAW THAT STAYS SHARP AND CUTS STRAIGHT

Whether you make aeroplanes or automobiles, bolts or nuts, castings or forgings, here is the saw that solves your metal band problems . . .

Disston Hard-Edge, Flexible-Back Metal-Cutting Band Saws—used on the widest range of materials, shapes and sizes ever cut on a band saw machine. Teeth are milled—not punched—then carefully set by machine. These tough, flexible, durable saws stay sharp and cut with extreme accuracy.

See your distributor now for Disston Metal Bands, in straight set, raker set or group set. Henry Disston & Sons, Inc., Philadelphia, U. S. A.

DISSTON METAL-CUTTING BAND SAWS



DISSTON HAS THE EDGE

Now's THE TIME TO PUT THAT METAL WORKING PLANT in ALABAMA



Alabama's iron and steel industry commands today a place of new importance in the nation's business. Elimination of former steel price differentials has made this area far more attractive to plants using large quantities of steel. Demand for steel in the South has increased more during the past three years than in any other section of the country. Accelerating export trade is most economically served via Birmingham and the Port of Mobile. These factors, plus Alabama's unique combination of raw materials, plentiful supply of skilled labor, favorable freight rates, equable climate and cheap fuel and power, can make money for you in Alabama just as they have for U. S. Steel, Republic, Woodward, Sloss, and industries consuming the iron and steel produced by these great companies.

During 1938, 1939 and the first five months of 1940, steel operations in Alabama have been above the national average every week but one.

Here are a few of many metal products which the growing Southern market now consumes in volume but largely buys outside the South. Competent surveys show that these commodities can be produced profitably in Alabama now:

Harrow discs and spring harrow teeth; steel furniture and holloware; refrigerators, gas and electric ranges and other household appliances; galvanized buckets, tubs, washboards, dippers, garbage cans, etc.; hoes, shovels, axes, rakes, picks, etc.; farm and road machinery; textile mill and other industrial equipment; electrolytic galvanized bolts, rivets, etc.; traffic guard rails; trailer, truck and school bus bodies; hydraulic lifts for filling stations; crown caps for bottles and metal caps, and many more.

Alabama invites you to investigate the profit possibilities of a metal working plant in this rapidly expanding market. Special, confidential studies will be made in response to inquiries from responsible sources.

Address—

Dept. B. W.

ALA. STATE CHAMBER OF COMMERCE
MONTGOMERY, ALABAMA

ALABAMA
STATE PLANNING COMMISSION

waterfront stage in 1934 (BW—Dec. 30 '39, p. 28).

One by one, other units in the Maritime Federation of the Pacific have raised various contract issues with both the Waterfront Employers Association and the Pacific American Shipowners. Agreements, guaranteeing substantial wage increases, have been made to September, 1941, with the firemen's, engineers' and clerks' unions and with the masters, mates and pilots. Only unions with uncompleted negotiations were the cooks and stewards, the radio operators and Bridges' very own longshoremen.

Cooks Serve Notice

The cooks have been working under extensions of the 1938-39 agreement which expired last September. Latest extension came to an end July 1 but was further stretched to midnight, July 2 at the urging of the Department of Labor when it became apparent that a new contract wouldn't be negotiated by that time. The union had served notice it would call a Coastwise strike on off-shore and intercoastal ships unless employers came to terms July 1.

Heart of the clash was the union's demand that shipowners give up the right to go outside the union to select key personnel, if "satisfactory" union members couldn't be supplied, and to hire special employees such as doctors, nurses, hospital attendants and food controllers regardless of the union.

Despite the efforts of Department of Labor conciliators and a plea by Sidney Hillman, labor's representative on the National Defense Commission, the hands of the clock in the Waterfront Employers' conference room pointed to 11:10 P.M. July 2 before a break came in the attitude of either side.

Their Stand "Has Merit"

At that time, like the U. S. Marines rushing in to save the day, a wire arrived from Secretary of Labor Perkins advising the union to give in on the chief issue and stating, to the amazement of the shipowners, that "the employers' position (on selection of key men) has merit." She strongly urged "adjustment on this point at once" and that "no new points be raised" so that an agreement could be "quickly reached and signed." A tentative contract was reached at 11:57 sustaining the employers' position, and the strike threat was withdrawn.

In view of the cooks' experience, both shipowners and unions believe a deal will be reached soon with the American Communications Association and that Bridges' "permanent peace proposal" for his longshoremen (thought up largely for face-saving purposes following Harry's defeat in the clerks' strike last fall) will be the subject of peaceful negotiations between the shipowners and the union before the longshoremen's contract expires next September.

PRODUCTION

Powdered Iron by Gas

Clarkiron expected to build plant to make 20,000 tons a year, as Swedish supply is cut off.

HAVING DEVELOPED a new method of producing powdered iron by the use of gas, the Clarkiron Co., Inc., of California is expected shortly to undertake construction of a plant near Los Angeles with an output of 20,000 tons a year. Two experimental plants have supplied sufficient data to justify commercial production, according to Walter G. Clark, president of the firm and developer of the process. The market for powdered iron is unusually attractive because of expansion of demand and curtailment of supply resulting from the stoppage of Swedish imports.

Powdered iron has come into use the last few years for making automobile and other parts. The powder, averaging 300 mesh, is compressed in metal dies and sintered to make parts that are often cheaper than castings and forgings, because they are of exact size and require no machining. Since they are porous, they can be impregnated with oil.

The Clarkiron pilot plants house big reduction tubes that look something like oil derricks. These tubes, set in pairs, are 28 in. in diameter at the top, 36 in. at the bottom, 90 ft. high, and are made of iron-chrome-nickel alloy to stand 2,000 deg. F. temperatures.

Crushed and screened ore is roasted at 1550 deg. F. and fed into the tubes at the top. Reduction is accomplished at temperatures not exceeding 1900 deg. F. in hydrogen derived from natural gas. The gas is not used for fuel, for the heat required is furnished by electricity.

Improvement Long Sought

Gas reduction of solid iron ore has long been an ideal of metallurgists because a low-temperature process should permit selective reduction of the iron alone, whereas blast furnace temperatures reduce oxides along with the iron. Theoretical advantages of low-temperature treatment are low cost and high purity compared with pig iron, a spongy or powdery end product, and ability to deliver iron with stated percentages of carbon. Ghosts of previous investors in ill-starred gas-reduction schemes will watch the outcome of this effort with interest.

California is said to have abundant iron ore—100,000,000 tons within 250 miles of Los Angeles alone, according to Clark's estimates. He says that lack of coking coal has been the obstacle to development of iron ore deposits for western industries, that coal could be brought in but has been too expensive because there's no market for by-product gas in natural gas country.

Water Cooling?

"I'm sure glad the boss got another Water Cooler!"

"Me too! I save time and steps with this Frigidaire so handy!"



Your Employees and Customers will appreciate conveniently located FRIGIDAIRE Water Coolers

• You can make work more pleasant for your employees and you can gain customer and employee goodwill by installing Frigidaire Water Coolers at the most convenient locations. These business-building units give you superior water cooling results at far less cost than old-style methods...soon earn their way and more, too. Call in Frigidaire today for a free survey of your requirements. See nearest Frigidaire Water Cooling Dealer or write Frigidaire Commercial and Air Conditioning Division, Dayton, Ohio.

Economical Frigidaire Water Cooler Ideal for stores, small general offices

• Typical of the complete line of efficient, dependable Frigidaire coolers is this medium-sized model that cools 3 to 5 gallons of water per hour from 80° to 50°. Investigate.

Call in the expert—
Call in Frigidaire

Frigidaire Products include: Water Coolers, Air Conditioners, Beverage Coolers, all types of refrigeration equipment for every need. See them when you visit the General Motors exhibits at the New York World's Fair and Golden Gate Exposition.

Paint Industry Revamps Formulas

War spurs widespread research in synthetics. Soybeans and sardines are reported principal sources of new drying oil (Neo-Fat) announced by Armour & Co.

PAINT MANUFACTURERS analyze one another's products continuously, lest the other fellow get a head start in quality—or chisel off a little. But during the past year there have been so many changes in formula that for practical purposes nobody now knows what is in anybody else's paint. The only certainties are:

(1) The formula is different from what it was last time it was analyzed—and probably has been changed again since the sample now under analysis left the factory.

(2) If it is an upper-level interior or industrial paint, it is made with a synthetic vehicle instead of one of the natural oil vehicles which until recently have been traditional.

Behind the violently fluctuating formulas is the effect of war on world commerce. The bulk of natural oils used for better-class paint vehicles comes from abroad, excepting linseed. The United States should this year raise from 67% to 75% of its linseed needs, can boost acreage any year if Argentine supplies become hard to get. But linseed oil is important only outdoors. Interior paint is different.

Paintwise, oils are drying, semi-drying, or non-drying. Drying oils are the desirable paint ingredient, because they are rich in unsaturated fatty acids. In the vernacular, unsaturated acids have a yen for oxygen. Hence, when paint is spread, the unsaturated acids oxidize from the air—the paint dries to form a protective film. Semi-drying and non-drying oils are used in paints, pretty much in inverse ratio to the quality and price.

War Gives Fillip to Prices

Best natural drying oil for interior finishes is tung, also called chinawood, in which the resin is cooked. Tung oil comes from interior China, has advanced from 8¢ to 27¢ a pound since the Japanese invasion. Close behind in desirability is oiticica, available in limited quantities from Brazil. Next is perilla, almost unavailable since expiration of the Japanese trade agreement. Castor oil (which must be dehydrated) comes chiefly from Brazil. Produced both here and abroad, but held in none too high esteem for their drying properties are walnut and fish oils.

Last week, Armour & Co. got its name in the papers by announcing a new synthetic drying oil, which the trade has been buying—and liking—as Neo-Fat for some months. Armour put several mil-

lions into research and equipment at its Chicago soap works, is now using a molecular still in which it places the fatty acids from a less desirable oil, after removing the glycerine. Here the fractions are distilled off in order to separate the unsaturated from the saturated fatty acids.

The saturated acids are used to make a better soap. The unsaturateds are now rejoined to glycerine, thus become synthetic drying oils of extremely desirable characteristics for many paint uses. Soybean and sardine oils are reported as the principal sources of this synthetic, though there is also talk of cottonseed and corn. Price of Neo-Fat is around 15¢, well below tung oil. The product has other assorted uses in vulcanizing rubber, lubricating grease, and cosmetics.

Synthetics Progress Speeded

Synthetic vehicles are not new, but war shifts and patent shifts have brought them to prominence. In the words of one major manufacturer, the industry has

been forced to make more actual progress in one year than it made in the previous quarter-century. It was about 13 years ago that General Electric Co. produced a glyptal-resin type of vehicle, a pure synthetic made from glycerine and phthalic anhydride.

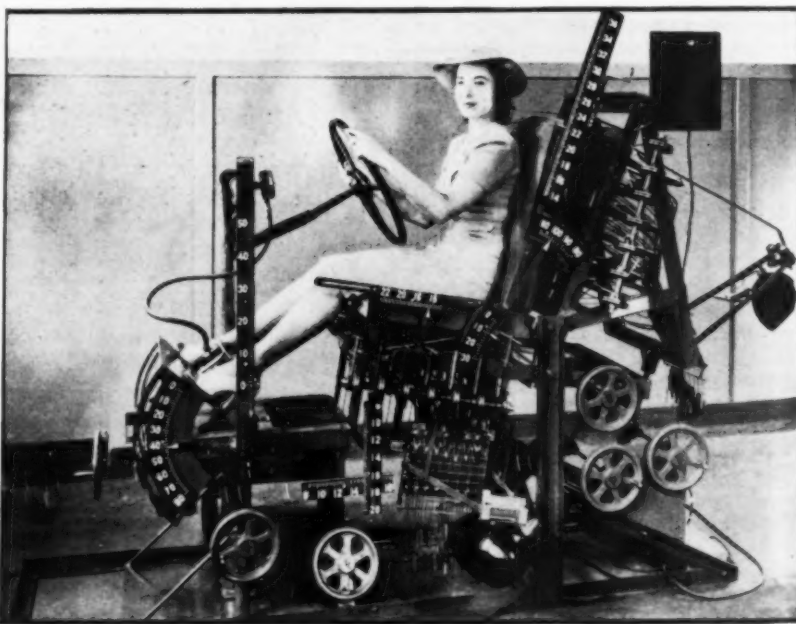
Several paint makers, notably du Pont, took licenses, but the bulk of the industry held back. A couple of years ago a court decision opened these patents to the world. Now there are 600-700 of these synthetics, known also as resins, on the market, and most paint makers are using them to make interior and exterior enamels of exceedingly good durability.

Tung Gives Way

These synthetics have become the predominant type for top-quality enamels, almost completely replacing tung oil. Industrial finishes run to almost straight synthetics—du Pont, strong in this market, is credited with using synthetics for more than half its drying-oil requirements. Below the top grades, the paint factory can juggle oiticica, perilla, linseed, and dehydrated castor to the desired price.

On clear varnishes, tung still predominates. But a few makers are now beginning to use processed oiticica and castor with excellent results. The trade momentarily expects someone to learn how to use processed linseed in clear varnishes and enamels. Then there will be no more worry about imported drying oils. Castor

Making It Easier for Motorists



This device is used by engineers at the University of Michigan—not Buck Rogers—to gather data for the construction of an automobile cushion for the "average" motorist. The

Murray Corp. of America, cushion-builders, is financing the experiments. Weight-distribution, spring-tension, etc., are being recorded as various people sit in the contraption.

FAMILIAR ACTS THAT MARK A BETTER WAY OF LIVING



You
grip a
Wheel

or grasp
this Bottle



You can enjoy those moments at the wheel of your car with no thought of what made your car possible. And you can enjoy refreshing moments with ice-cold Coca-Cola without knowing how *the pause that refreshes* with ice-cold Coca-Cola came to be part of American life. But the fact that you can do both are typical American stories.

Everybody knows that ice-cold Coca-Cola is never far from where you are. But it took years

for Coca-Cola to get there. First it had a good start,—with a product that was good. It brought a new and delicious taste to the America of fifty-four years ago. Soon more and more people made it a practice to pause at soda fountains to enjoy the life, sparkle and taste of ice-cold Coca-Cola.

Right there was created *the pause that refreshes*. And right there Coca-Cola began to go somewhere. Soda fountains be-

came America's meeting place. Bottling plants grew up everywhere to serve city and village with ice-cold Coca-Cola. Trucks, cartons, coolers, new fountain dispensers did their job of placing Coca-Cola within easy reach of your thirst,—around the corner from anywhere.

Thus Coca-Cola grew into American life . . . placed there by your acceptance of pure, wholesome, delicious refreshment.



5¢

Your desire for its quality and years of work have made Coca-Cola the drink everybody knows . . . and have made *the pause that refreshes* America's favorite moment.

COPYRIGHT 1940, THE COCA-COLA COMPANY

oil production is on the up grade in the U. S. (BW—April 40, p. 34).

Interesting sidelight: With synthetic drying oils, it is necessary to use toluol, xylols, or their substitutes, as thinning solvents, instead of gum turpentine. Consequently turpentine, which is produced along with rosin by the southern naval stores industry, inclines to be stepchild in the solvent market.

Safer Railroad Axle

Weight of air conditioning equipment in passenger cars compels development of new model.

IN THEIR annual meeting last week at Chicago, 500 top mechanical experts of the railroads reserved their keenest attention for a report on the prosaic topic of car axles—specifically, the new axle design which the Association of American Railroads has had under day-and-night test for two years in the laboratories of Timken Roller Bearing Co., Canton, Ohio. Recent axle failures in passenger service account for the special interest in the problem now. Although these failures have not resulted in any casualties, they have been intruding into mechanical superintendents' dreamless sleep.

Passenger axles have been turned out for many years according to a design and specifications that have provided an adequate factor of safety to take care of higher speeds. All went well until 7,000 to 14,000 lb. of air-conditioning equipment was added to many old cars. This brought the load on the axle too close for comfort to its maximum capacity. The consequences have been clearest in high-speed service.

Machine-Finished for Balance

The new A.A.R. axle design—not yet officially adopted, but practically certain of approval in an early vote—weighs a shade more than the old axle. But its laboratory tests under a load equivalent to a road speed of 150 miles an hour indicate that it eliminates the weaknesses disclosed in the old type. Like the old axle, the entire piece is forged from a steel billet. Unlike the old, axles for passenger service will be machine-finished all over to achieve more perfect balance and to get rid of vibration. It is estimated that the new axle will outlive the present type by many thousands of miles and will wear out in all parts at about the same time.

Quake-Proof Utility

ANY FUTURE EARTHQUAKES might as well detour around the new light plant in Glendale, Calif. The only building that could be knocked down will be a light-weight steel shed that is to hide unsightly boilers. Generators are being weather-proofed and set out on an open deck. Beneath the whole works will be a reinforced concrete basement 22 ft. deep.

Safety Kick Switch

WITH A NEW Ray Automatic Safety Switch installed under the floorboard of any automotive vehicle, all electric equipment can be disconnected at once by kicking a small foot button. In case of a collision, the switch protects against fire by disconnecting automatically. Ray Mfg. Co., Merced, Calif., includes with the outfit a red jewelled light which glows on the dashboard at all times while the switch is in the "on" position.

Two-Tone Rubber Rug

ALTHOUGH the new Goodyear Tu-Tone Rubber Rug is all one color, a two-tone effect and a resistance to slipping are



achieved by the diagonal rib design. Overall thickness is $\frac{3}{8}$ in. Goodyear Tire & Rubber Co., Akron, O., makes it in rolls 54 in. wide and 30 ft. long, in black, red, or green.

Sealed Units

TO PROTECT fluorescent tubes from dust, steam, vapor, breakage, etc., and to secure more thorough light diffusion, Benjamin Electric Mfg. Co., Des Plaines, Ill., is equipping its new Benjamin "Sealed-Flo" Lighting Units with glass covers. Since these are hinged to the units, it is no trick at all to open them for tube replacements. Units are available for either two or three 48-in. tubes.

Metal Mirrors

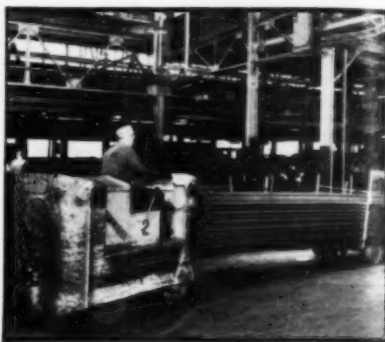
SINCE MIRRORS in factory washrooms seem to have a higher mortality than those in homes and offices, Sheet Steel Specialty Co., 3rd and Liberty Aves., Pittsburgh, has developed the Kromirror, a steel mirror with a nickel-chromium reflecting surface. Sizes range from 14 x 18 to 17 x 54½ in.

Plug-In Range

UNLIKE most electric ranges which call for special wiring, the new Crown Plug-In Electric Dinette connects with any standard convenience outlet. Crown Stove Works, 4627 W. 12th St., Chicago, makes it for 110-volt a.c. current in a standard 36-in. height with two surface cooking units, a broiler-oven, and a utensil compartment.

Push-Pull Tractor

SPECIAL FRAME and bumpers give the new Model CS Towmotor Tractor the ability to push heavy loads as well as pull them. Contours are rounded to



avoid catching obstructions. Towmotor Co., 1246 E. 152nd St., Cleveland, equips the vehicle with a 41-hp. engine and a 3-speed transmission, giving a 4,000-lb. drawbar pull and a commensurate push.

Magnetic Alloy

COMPOSED of vanadium, iron, and cobalt, a new magnetic alloy called Vicalloy is being announced by Bell Telephone Laboratories, 463 West St., New York. Unlike certain other magnetic materials of high permanence and strength, it can be rolled and drawn. Already tapes made of it are being used to record weather reports for reproduction on Bell telephone weather-announcing systems.

Packing Scale

SENSITIVE to ¼ oz. at its full capacity of 150 lb. (an accuracy of one part in 9,600) the new Exact Weight "General"



Scale is a predetermined weight scale for chemical plants, food packers, etc. Exact Weight Scale Co., Columbus, O., makes it of aluminum alloy castings for easy portability. The dial, which is set at an angle of 30 deg., may be turned in any direction for greater visibility.

MARKETING

No Fair Trade Test

Colorado consumer group withdraws petition to put price-maintenance laws on the ballot.

PRICE-MAINTENANCE CHAMPIONS WON A round last week when efforts of Colorado's Consumers' Protective Council, Inc. to put the state's fair trade and unfair trade practices acts on the ballot for a repeal vote in next November's elections (*BW—Jun 8 '40, p 44*) were nipped in the bud by organized liquor and drug association dealers.

Consumers and cut-rate retailers opposed to price maintenance had managed to collect some 40,000 signatures for the referendum—5,000 more than the number necessary to put the issues on the ballot—when liquor and drug dealers heaved a monkey wrench in the works by turning up at the statehouse, taking photostatic copies of the petitions, and threatening a court fight to test the legality of many signatures.

With its \$5,000 war chest exhausted by advertising and promotion to get petition signatures, the Council had to give up after an unsuccessful attempt to raise enough money to contest the suit and carry on its campaign. Reluctantly, it withdrew the petitions at the last minute before the July 5 deadline. The only two sizable contributions to the Council had come from small local chains, Save-A-Nickel Stores and Republic Drug. Right now, the Council pins its hopes on keeping the price-maintenance issue alive until elections come around again two years from next November.

Petitions that will go on the Colorado ballot include proposals to cut old age pensions from \$45 to \$30 a month, prevent diversion of income tax revenues from public schools, and require the legislature to levy an *ad valorem* tax of 5 to 10 mills on intangible personal property.

Corn vs. Cane Sugar

McNutt must solve age-old fight, as dextrose interests seek to annul Food & Drug regulation.

THE NEXT ROUND in the endless battle between the corn and cane-beet sugar interests will provide Federal Security Administrator Paul V. McNutt with his first headache from his new agency—the Food & Drug Administration, recently transferred to FSA from the Department of Agriculture. The fight has been going on ever since corn sugar or dextrose was developed to the point where it could be used commercially in place of cane or beet sugar in making food products.

To the late Dr. Harvey W. Wiley,

READY FOR "ALL COMERS"

NEW BILGE PUMP with completely molded Durez housing, made by the Geo. W. Fleming Co. The material used was Durez 75 type plastic, and is unaffected by water immersion and electrolytic action. It is the only plastic that has been able to meet the exacting requirements of this manufacturer.



NEWEST DUREZ MEMBER of the growing Silex family is this Silex Home Coffee Dispenser, which has a base of molded Durez, with an accurate measuring device, also molded, inside.



ARGOFLEX—the first American twin lens reflex camera—has a molded Durez plastic housing. With a grained leather-effect finish which is molded integrally, the new unit is as attractive as it is sturdy.

Now they're making bilge pump housings of this versatile plastic—housings that fight salt water corrosion and electrolytic action with far greater success than metal. Housings that are sturdier, tougher—and easier to make!

Here's another industrial application of Durez that's as significant as it is interesting. For it proves again that there's almost no limit to the ways you can make a product better—or a better product—with this modern material.

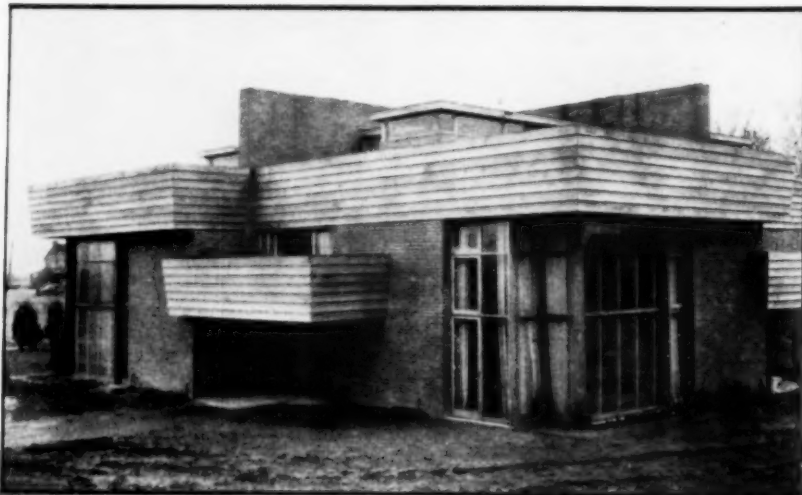
Whether your product problem is a matter of strength and toughness, style and beauty or simplified production—or a combination of them all—it will pay you to consider Durez—and to remember that there are hundreds of Durez compounds always ready to do your bidding. Our engineers will be glad to work with you, and bring you the benefit of experience gained in helping other manufacturers for many years. Just write—

DUREZ PLASTICS & CHEMICALS, INC.
647 Walck Road North Tonawanda, N. Y.

DUREZ PLASTICS & CHEMICALS, INC.

Plastics That Fit The Job

Ardmore Housing Development — Under Protest



WHEN Frank Lloyd Wright, the bad boy of modern architecture, tackled the problem of low-cost housing in the suburbs, he found a solution—but Ardmore, Pa., a suburb of Philadelphia, didn't like it. This ultra-modern four-family house (above) has been a thorn in the side of the citizens of Ardmore for ten months now. At first petitions poured in to town officials, pointing out that the experimental house was a detriment to local property values. Then the township passed a ruling banning the building of any more houses like this in the locality. Now the zoning commission has lifted the ruling. And Ardmore's due to get three more of the houses by the end of the year.

The house is built in a four-leaf-clover pattern. Each of its four units has—on the first floor—a living room with two walls made up almost entirely of glass, a storeroom, and a

one-car garage without doors ("carport" to you). Instead of a second floor, there is a mezzanine, containing a master bedroom, bathroom, dressing room, and kitchen-dining room. This last is the control room. From here the housewife can watch children playing in the living room or on the roof terrace, release the latch of the entrance door after conversing through a speaking tube, work the controls of the basement stoker. On the roof is a small penthouse containing two additional rooms.

Heat is furnished from welded pipes set in the concrete. The system has had to be supplemented with radiators, however. Interiors (below) are of unfinished brick, with partitions of natural cypress. The new houses, to be built by the Tod Co., will cost about \$7,000—a lot less than the experimental house. Rents range from \$55-\$60.



father of the original food and drug act, corn sugar was anathema, and he used all his influence to prevent its use under any circumstances. W. G. Campbell, present head of Food & Drug, believes there is nothing wrong with the use of dextrose in food products—in fact, believes it might be preferable under some circumstances—but insists that a declaration of its use should be made on labels of all food products—particularly those products which the consumer would normally expect to be sweetened by sucrose—cane or beet sugar.

Fight is Resumed

Over Campbell's protests, Secretary of Agriculture Hyde during Hoover's administration announced the principle that dextrose could be used to replace sugar as a sweetening agent in food products without label declaration. When Secretary of Agriculture Wallace started promulgating food standards under the new food and drug law, the entire question was re-opened, particularly in regard to the sweetening ingredients for canned fruits, preserves and jellies.

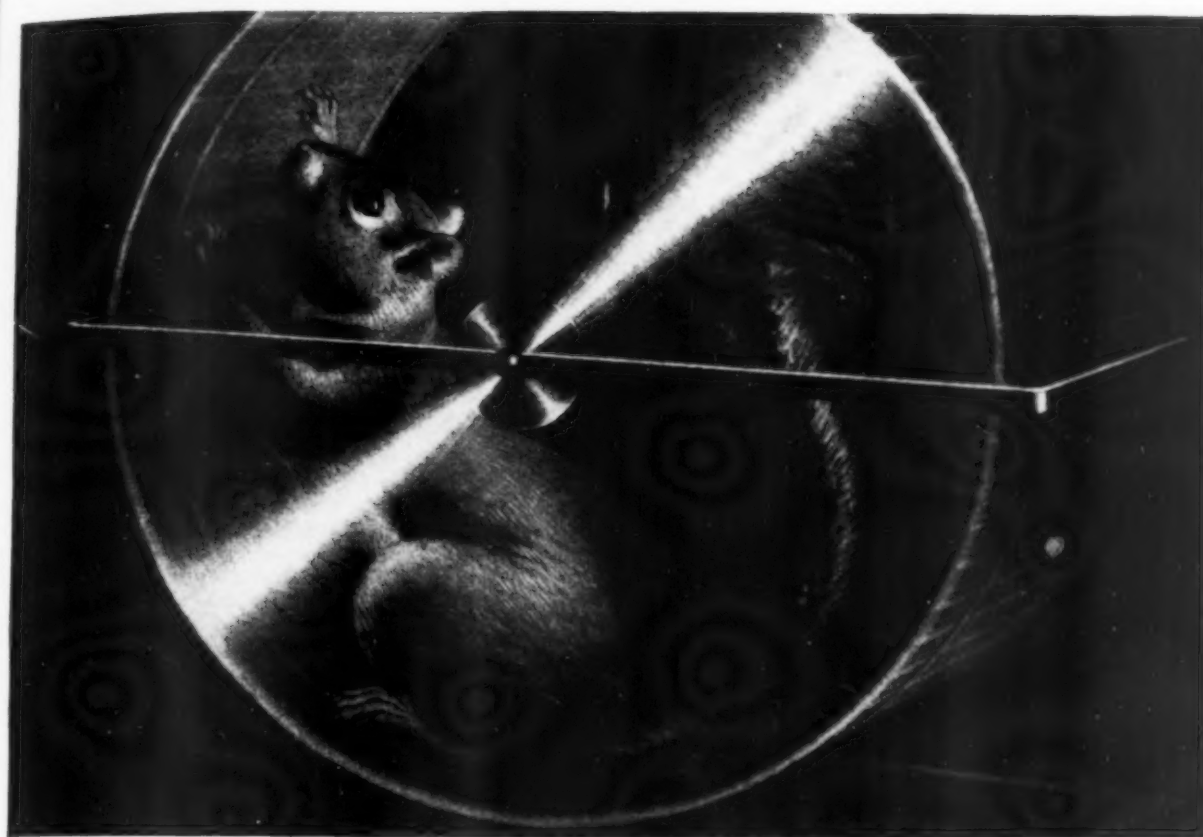
After lengthy hearings on standards for canned fruits, at which witnesses for the Food & Drug Administration as well as the sucrose industry called for label declaration of dextrose against opposition from corn sugar interests, Mr. Wallace issued a statement of policy continuing the Hyde ruling. This policy was given actual effect when the canned fruit standards were promulgated without calling for label declaration of dextrose. The sucrose interests, through their New York attorneys, Sullivan and Cromwell, promptly appealed the validity of this portion of the fruit standards to the Second Circuit Court of Appeals, where the case is still pending.

Joker Chagrins Winners

Although the dextrose interests won their labeling point, they soon discovered that the standards contained a "Trojan horse" from their point of view. On the theory that dextrose is only two-thirds as sweet as sucrose, the Secretary included in the standard a provision that when dextrose is used in lieu of sucrose, one-third more must be used. This made the cost of using dextrose more than that for sucrose.

The dextrose interests immediately asked for a re-hearing to eliminate this so-called "equivalency" factor, but this request was refused on the ground that the sweetening question was pending before the Circuit Court. However, just before Food & Drug was transferred from the Agriculture Department, Secretary Wallace, who has always looked out for the corn farmer, asked the Circuit Court to let him call a new hearing on this sweetening issue—in effect, permit him to withdraw the record from the jurisdiction of the court.

The court granted the Secretary's mo-



LOOK AT HIM GO...but where?

This machine works, perfectly. The squirrel seems to enjoy it, for it's the way of a squirrel to prize motion above direction.

When you invest in air conditioning, you want the sensory thrill of Maytime through the dog days, you want the ever amazing drama of comfort, within your doors while prostration pickets the sidewalks . . . but you want profit from your investment, too. You want to go places with air conditioning!

In other words you want York, the air conditioning that is engineered not just for comfort, but for your profit . . . whose component parts are designed and manufactured by York

to standards that have made them yardsticks for the whole industry. After all, making air conditioning work is a matter of mechanics. Making it work for you, show you a profit year in and year out, is a problem for the engineering realist backed up by traditional standards of manufacture.

It is this subtle difference in viewpoint that explains York's leadership in air conditioning today, expressed in nearly 100,000 profit-engineered installations. With this in mind, we believe you'll want to call "headquarters" first.

York Ice Machinery Corporation, York, Pennsylvania.

A few of the many nationally-known users of York equipment

Armour	Goodrich
A. & P. Tea Co.	Gulf Oil
Baltimore & Ohio R. R.	Hormel
Beecham Packing	Hershey Chocolate
Bethlehem Shipbuilding Corp.	Industrial Rayon
Borden	Johnson's Wax
Canada Dry	Monsanto Chemical
Coca Cola	Norton Company
Cudahy Packing	Pabst Brewing
Curtiss-Wright	Paramount Pictures
Du Pont	Pennsylvania R. R.
Eastman Kodak	Philip Morris
Firestone	Procter and Gamble
First National Stores	Ruppert's Brewing
Ford Motor	Sheffield Farms
General Baking	Socony Vacuum
General Foods	Swift & Co.
General Mills	Texas Company
General Motors	United Fruit
	Waldorf-Astoria
	Woolworth



Headquarters for Mechanical Cooling Since 1885

See the latest York equipment at the showroom of the York Branch or Distributor nearest you

Refrigeration and Air Conditioning for every Industrial Application • Comfort Air Conditioning for every type of Store, Restaurant, Office, Hotel, Institution or Residence • Marine Refrigeration and Air Conditioning • Yorkaire Automatic Heating • Refrigeration for every Commercial Use; Hotel and Restaurant Refrigerators; Beverage Dispensing Equipment • Flaklee Machine — Ribbon Ice in 60 Seconds • Dairy and Ice Cream Plant Equipment • Refrigeration Accessories and Supplies.

tion on July 3, just three days after Food & Drug had moved over to McNutt's FSA. However, the new hearing will take place in about a month because Wallace's aides consulted FSA officials prior to the transfer, and the latter are prepared to go through with the ordeal.

Maneuvering for a Trade

The dextrose interests believe that the hearing can be confined to "equivalency," leaving the declaration battle out of the re-hearing. Food & Drug officials differ; they contend that unless more dextrose is used to make the finished product just as sweet as it would be if sucrose were used, the consumer must at least be told by label declaration that the less sweet ingredient has been used.

In effect, Food & Drug is trying to work out a good, old-fashioned trade—abandonment of the "equivalency" factor in return for label declaration. Their chances of success in this direction depend mainly on the extent to which the corn sugar interests, supported by the corn farmer, have sold their side to McNutt.

Organized consumer organizations plump for label declaration of dextrose, but have not as yet been able to overcome the farmer pressure.

New Radios Tune into Big Year

Set manufacturers display wide variety of new models, emphasize quality and combinations, look forward to election harvest.

FOR THE PAST month and a half radio manufacturers have been taking the stump around the country, exhibiting new models for the benefit of dealers and distributors. The annual merry-go-round wound up this week with the Radio Corporation of America's two big showings in Chicago and Atlantic City, and members of the trade drew breath to consider what outstanding models are left in the wake of black velvet curtains and klieglighted daises—and how they will sell in the next six months.

Out of the general confusion, observers gleaned these facts: (1) In a year when the lion's share of publicity has gone to television and frequency modulation, manufacturers have fallen back on variations of old standbys—radio-phonograph combinations, many of them with recorders in tow, and portables, now re-

duced to the ultimate in pocket sizes. (2) For the first time since the depression, manufacturers are almost unanimous in putting the emphasis on quality reproduction—even at the risk of sacrificing a few gadgets. (3) Because of these trends to combinations and to quality, the industry has hopes of seeing increases in dollar volume catch up with last year's terrific jump in unit sales.

It looks as though manufacturers' optimistic predictions that 1940 would be a record-breaking year (*BW*—Jan 27 '40, p.30) have every chance of coming true. Unit sales were up 16% in the first quarter of this year over the same period in 1939. Reports from individual companies indicate that the rate of increase fell off somewhat in April and May, but it picked up again in June and should spurt once more now that the new models are going on the market. Summer sales, usually slack, are certain to improve in an election year. In 1936, when elections were coupled with recovery, unit sales climbed to over 8,000,000 and dollar volume to \$450,000,000—next best to 1929's \$600,000,000. This time war interest is thrown in for good measure.

Hope for Half-Billion

If the 16% increase manages to hold over the year, total unit sales should establish a new record by passing the 12,000,000 mark in 1940. Many members of the trade believe this will happen, also hope to see dollar volume hit \$500,000,000. More conservative estimates are that unit sales will go to around 10,750,000 or 11,000,000—against '39's 10,538,000—with dollar volume topping \$400,000,000, against \$355,000,000. Only cloud without a silver lining is that over the export market, which normally accounts for some 500,000 sets annually.

Sales of radio-phonograph combinations have kept up the spectacular pace they set in 1939 (*BW*—Nov 18 '39, p.32) and dealers have seized on them as a heaven-sent means of increasing dollar volume. If they had needed a shot in the arm, it came ready-made in the form of the home recorder. Wilcox-Gay pioneered with the "Recordio" a year ago and went to town (*BW*—May 18 '40, p.48). At the last count, 18 manufacturers were on the bandwagon. Philco sells a \$25 recorder which can be attached to any set, and prices on the three-way combinations have come down to just over \$60 for a portable model.

Philco's "electric eye" phonograph,




EC&M MAGNET
turns TROUBLE-MAKER
—Tramp Iron—into
PROFIT-MAKER

RECLAIMING useable mine hardware (track spikes, car couplings, slate wedges, etc.) from conveyor belts as the coal comes from the mine is but one way in which EC&M Separator Magnets make a profit for users.

Yet the greatest saving comes not from value of salvaged material but from elimination of damage to crushing equipment . . . and assurance of a better finished product.

A white Portland cement manufacturer says "low iron content" produces whiter cement. A glass manufacturer and cocoanut oil refiner have not had a single complaint due to tramp iron since using EC&M Separator Magnets.

The cost of an EC&M Separator Magnet is moderate—the savings great. Ask for Bulletin 910.

THE ELECTRIC CONTROLLER & MFG. CO.
 2684 E. 79th Street Cleveland, Ohio



*Look for this Trade-Mark when you buy —
 specify it when you order*

MOTOR CONTROLS • BRAKES • LIMIT STOPS • MAGNETS

which has a floating jewel motivated by a photo-electric cell in place of a needle (BW—Jun 22'40, p.35), hit the market too late for other manufacturers to pick up the idea, but it has caused a minor sensation with claims that it will last eight to ten years and increase the usable life of a record from 75 to 1,000 playings. Chances are the trade will hold off until it sees whether the jewelled needle comes up to expectations before going overboard. RCA's "Personal Radio," the smallest portable yet, selling for \$20 in the New York market (BW—Jun 29'40, p.35), is being snapped up by other makers. Philco has one at \$15, Emerson at \$19.95. Manufacturers say their only trouble here will be keeping up with demand.

May Win Dollar Lead

However, trade experts believe that, in spite of this flood of combinations and portables, straight compact and console models will remain the backbone of the industry for the next two years. Since 1930, compacts have led in unit sales, consoles in dollar volume. But in the past year it has become almost impossible to sell anything over \$100 without some sort of phonograph or recorder attachment and, if the trend keeps up, combinations may take the dollar volume lead.

Some 12 manufacturers now have frequency-modulation receivers in their lines, but there won't be any boom in sales until reallocation of channels is completed next January. Stromberg-Carlson is busy adapting the chassis on the 5,000-odd sets it has sold to new wave lengths. Television set sales have dwindled to nothing in view of the Federal Communications Commission's blow hot-blow cold attitude (BW—Jun 8'40, p.46) and manufacturers will have to mark time until the FCC makes up its mind. It will be a long time before either F-M or television will be in a position to play any large part in manufacturers' selling campaigns because reception so far is limited to a few metropolitan areas.

Is Business Too Big?

Lawyer Morris L. Ernst says yes, and he cites A. & P., U. S. Steel, many others.

LONG BEFORE he became a Justice of the United States Supreme Court, Louis D. Brandeis preached that, although there may be no inherent evils in big business as such, mere size makes it a fertile field for the seeds of evil. His "Curse of Bigness" became a text for trust-busters.

Now one of Brandeis' most fervent disciples, Morris L. Ernst, liberal New York City lawyer who has represented many groups of independent tradesmen in their fight for the fair-trade price control laws, has written a book called "Too Big." Published by Little, Brown & Co.,

HOW WE SAVED Pandora's Life

by Westinghouse



native habitat. So well did they succeed that immediately she started to perk up, and in no time was her playful self, keeping the crowd in uproars with her antics.

• *This is just one of the hundreds of air conditioning problems that have been put up to our engineers. Generally, when a person thinks of air conditioning he thinks of it in terms of making a home more comfortable, or of seeking escape from summer heat in a restaurant, store or theater.*

• *And yet beyond these now commonly accepted uses you'd be surprised to learn what a varied role our air conditioning is playing in industry.*

• *Taking just a few examples at random, we are reminded of the way our equipment helped a pharmaceutical house to step up the manufacture of pills and tablets; of how we aided another laboratory to hasten the cooling of creams and salves for quicker packing. Or take rayon, for example—its manufacture would be almost impossible if it were not for the part air conditioning plays in the drying of the fibres. Air travel, too, is a lot safer because flying instruments are now calibrated more accurately in air conditioned rooms.*

• *Naturally, to produce air conditioning for such a wide variety of applications requires engineering skill of the highest order, plus a range of equipment which extends in our case from a small self contained home unit to a 100 ton compressor.*

• *With such equipment now available, air conditioning is rapidly fulfilling its promise of becoming one of America's leading industries.*

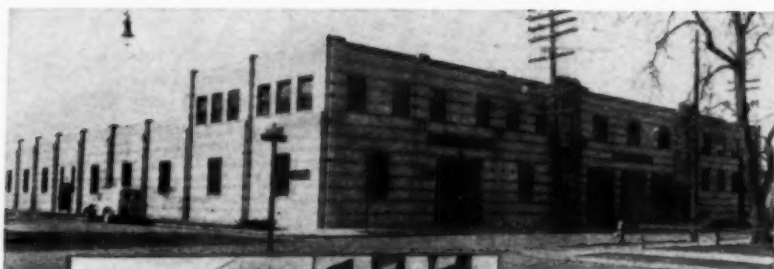
• *If you have been one of the millions of visitors to the New York World's Fair you, of course, know that Pandora is the name of the cute Panda playing such a star role at the Exposition.*

• *Spectators who crowd around her cage these days little realize that if it hadn't been for the quick action and resourcefulness of our air conditioning engineers they might never have seen this rare animal that was brought all the way from the Himalayan Mountains.*

• *While recognizing that there was quite a bit of difference between the climate of Pandora's home land and that of Flushing Meadows, those in charge hoped that she would be able to adjust herself to the change. But she just couldn't.*

• *What happened was that she refused to eat or perform; and it became quite evident that she would probably die unless something was done about the weather in a hurry.*

• *With no time to lose, our air conditioning engineers were called in and asked to duplicate the cool, stimulating climate of Pandora's*



Kraft Pittsburgh Warehouse



Kraft Detroit Warehouse



Carey BUILT-UP ROOFS for Kraft Cheese Company

THE famous products of the Kraft Cheese Company, stored in its modern Pittsburgh and Detroit warehouses, are protected by CAREY Built-Up Roofs.

These buildings are covered with CAREY Bonded Roofs, which eliminate roof worries over a long period of years and reduce overhead to the minimum.



Whatever your roofing problems, CAREY can help you solve them. Our book, "Master Specifications for Built-Up Roofs," will be mailed upon request. Address Dept. 29.

INDUSTRIAL BUILDING PRODUCTS OF ASPHALT — ASBESTOS — MAGNESIA

Roofing ... Siding ... Flooring ... Insulations ... Roof Coatings and Cements
Waterproofing Materials ... Expansion Joint ... Asbestos Paper and Millboard

THE PHILIP CAREY COMPANY • Lockland, Cincinnati, Ohio
Dependable Products Since 1873

BRANCHES IN PRINCIPAL CITIES

Boston, it is likely to become a text for those who would use the taxing power to curb corporate size—notably for such groups as the Freedom of Opportunity Foundation, the association of independents that has backed Rep. Wright Patman's so-far-unsuccessful attempts to tax the chains out of existence.

"Case Histories of the Colossal"

Mr. Ernst's basic premise is that America's industrial giants have come into being not by reason of expansion through efficiency, but by consolidation and merger through greed. Great corporate size, Mr. Ernst says, is justified by neither of two separate yardsticks of efficiency—the one, dollars; the other, things of the spirit. To make the point, he gives "case histories of the colossal." One after the other he rakes over the coals the following: the old National Cordage combine of the late 1800's; U. S. Steel Corp., its production methods and labor policies; life insurance companies, especially Metropolitan; chain stores, especially A&P; savings banks, especially New York's two biggest; the anthracite coal industry and its railroad ties; and the motion picture industry, especially Paramount and Warner Bros.

The weakness of Mr. Ernst's case histories is that he too often discusses evils now remedied or difficulties now only anticipated. Nevertheless, he finds evidence that big business "breeds a race of clerks," and that democratic processes cannot be maintained if business grows too big. "For when institutions or organizations exceed in size the capacity of men to manage them effectively, dictatorship of varying degrees or types comes into existence." For proof that bigness does not pay, Mr. Ernst summarizes several studies of Dun & Bradstreet, the National Industrial Conference Board, and Dewing, Summers, Crum. According to these studies, the financial records of large combinations have been consistently surpassed by smaller companies.

Must Seek Limits of Power

Once on record as opposed to bigness, Mr. Ernst claims that he preaches "no gospel of fragmentation or destruction—but rather the need for a national constructive research to find the limits of power and size beyond which man's greed drives him, unmindful of the aims of a democratic commonwealth." There must be, he thinks, an optimum size for every industry, and eventually it will be up to government to specify that optimum.

The first step in curbing bigness, Mr. Ernst suggests, would be a more effective enforcement of existing anti-trust laws. The dollar size of life insurance companies should be limited, he thinks, and all patent monopolies should be revamped, with distinction made between benefits flowing to individuals and those to corporations. Other suggestions are: limitation on land holdings; revamping of cor-

New NBC Head



Niles Trammell, executive vice-president of the National Broadcasting Co., this week succeeded Lenox Lohr as president. Mr. Trammell joined NBC in 1928 as a member of the sales staff, became executive vice-president in 1939. From 1923 to 1928 he was associated with the Radio Corporation of America, NBC's parent company, on the Pacific Coast.

porate directors' responsibilities, possibly to provide for People's Advocates on boards of directors; and liberation of accountants from domination by directors.

But it is in the use of government taxing power, rather than in regulation or taxation, that Mr. Ernst finds the strongest weapon with which to strike at bigness. He proposes to find the median company-size for each industry, then put a sliding scale tax on all capital increases above that point.

Liquor Crackdown

Minnesota law, effective this week, restricts advertising; all whisky must be two years old.

RESTRICTIONS on liquor advertising, which are among the most drastic in the nation, went into effect in Minnesota this week.

As a result, all advertising copy except such as that in national magazines which is prepared outside the state must be confined virtually to name and technical description. No reference is permitted to "saving," "better buy," "lowest prices," or "going out of business." Any allusions to schools, colleges and pay checks is outlawed. In window displays, prices must not be advertised by even so much as a price tag on a bottle, and

R E A D Y !



TO MEET ALL YOUR REQUIREMENTS
FOR ADDITIONAL STEAM CAPACITY

NOW...when time is so important

If yours is one of the many organizations now faced with the problem of acquiring additional steam generating capacity as quickly as possible, you will want to know that you can still get the promptest kind of service from Combustion Engineering. How much longer this condition will continue is uncertain in view of the rapidly increasing volume of business in recent weeks.

This opportunity can be utilized by plants of all sizes because the C-E line of boilers, fuel burning and related equipment is the most extensive offered by any manufacturer. It provides for every requirement of unit capacity from 1000 to over 1,000,000 lb of steam per hr.

Our ability to promise prompt service for a limited time, despite the fact that current volume is the biggest in the company's history, is the result of a large expansion and modernization program initiated three years ago. Completion of this program has virtually doubled the production capacity of our principal boiler shops.

If you are in need of more steam generating capacity, you can get quick action by phoning or wiring our main office or the nearest of the following district offices:

Birmingham, Boston, Charlotte, Chattanooga, Chicago, Cincinnati, Cleveland, Denver, Detroit, Hazleton, Houston, Kansas City, Los Angeles, Minneapolis, Philadelphia, Pittsburgh, Portland, St. Louis, Salt Lake City, San Francisco, Seattle, Spokane, Tacoma.

PLANTS

CHATTANOOGA* ST. LOUIS MONONGAHELA CHICAGO

* This plant is now equipped with the world's largest hydraulic plate bending press (can cold bend boiler plate 6 in or more thick in lengths up to 40 ft) which materially reduces the time required to form boiler drums.

COMBUSTION
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A-608

C-E PRODUCTS INCLUDE ALL TYPES OF  BOILERS, FURNACES, PULVERIZED FUEL SYSTEMS AND STOKERS; ALSO SUPERHEATERS, ECONOMIZERS AND AIR HEATERS

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Statement of Condition

June 29, 1940

RESOURCES

CASH AND DUE FROM BANKS	\$1,467,007,452.80
U. S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	1,039,030,754.02
STATE AND MUNICIPAL SECURITIES	127,895,549.51
STOCK OF FEDERAL RESERVE BANK	6,016,200.00
OTHER SECURITIES	151,938,094.22
LOANS, DISCOUNTS AND BANKERS'	
ACCEPTANCES	607,858,800.76
BANKING HOUSES	32,773,713.63
OTHER REAL ESTATE	8,126,541.88
MORTGAGES	10,677,143.08
CUSTOMERS' ACCEPTANCE LIABILITY	11,944,699.23
OTHER ASSETS	9,510,536.59
	<u>\$3,472,779,485.72</u>

LIABILITIES

CAPITAL FUNDS:	
CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	33,820,953.64
	<u>\$ 234,360,953.64</u>
DIVIDEND PAYABLE AUGUST 1, 1940	5,180,000.00
RESERVE FOR CONTINGENCIES	14,507,676.95
RESERVE FOR TAXES, INTEREST, ETC.	2,214,575.31
DEPOSITS	3,190,822,926.19
ACCEPTANCES OUTSTANDING	13,488,305.37
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	1,004,017.12
OTHER LIABILITIES	11,201,031.14
	<u>\$3,472,779,485.72</u>

United States Government and other securities carried at \$141,972,500 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

quotations posted inside the store must not be "readily visible from the street."

All whisky, including that in neutral-spirits blends, must be at least two years old, and none can be imported, bottled, or sold unless it has been stored in new charred oak barrels under government supervision for at least two years. Whisky containing less than 20% of the 100-proof variety is banned entirely. About 300 out-of-state distilleries, wineries and rectifiers must take out \$50 permits.

Taxed Voluntaries

COLORADO HAS SLAPPED \$43,873 more onto its claim against the Continental Oil Co. for back taxes under the state's chain store act, making a grand total of \$508,581. Colorado's independent retailers who had worked assiduously for passage of the chain store tax first saw the shape of things to come last May when the state Supreme Court ruled that the Gamble-Skogmo voluntary chain of auto accessory dealers was subject to the tax (*BW—Jun 3 '40, p. 33*). From Gamble-Skogmo Colorado's treasury moved on to automobile dealers, and was temporarily stopped when the Denver federal court ruled that Ford dealers were independents (*BW—Feb 17 '40, p. 33*).

The Conoco suit, pending in the Denver District Court since March, is expected to prove a similar test case on the validity of levying store license taxes against service stations leased from oil companies. When the oil companies are settled, the state plans to move on against tire dealers and independent grocers in voluntary chains.

Who's a Druggist?

MICHIGAN legislators a few years ago passed a law requiring that a corporation operating a drug store be owned at least 25% by a registered pharmacist. The legislators said the measure was aimed at protection of public health; drug chain operators said it was aimed at them. Standard Michigan methods for evading this restriction range from elaborate trust set-ups to simple subsidiary corporations with 25% of the stock owned by store managers. Recently Montgomery Ward & Co. opened in a new Detroit store a sizable package drug section, and put it in charge of an R. Ph. to comply with legal requirements that all U. S. Pharmacopeia items be dispensed under a pharmacist's supervision. But Ward's policy on chain discriminatory laws is: "Don't dodge 'em, fight 'em." Citing a U. S. Supreme Court decision throwing out a Pennsylvania law requiring that a drug store be 100% owned by an R. Ph., Ward obtained a temporary injunction against the 25% law, and entered suit to overthrow the law. Whichever way the lower courts decide, the case will doubtless be taken all the way up.

MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

Truce on Investment Front

It now looks as though Congress will be presented with a compromise on the trust bill and a deal on that waiting period for new issues.

WHEN CONGRESS decided to stay in Washington until it had cleaned up necessary legislation, despite the two major party conventions, it opened the way for some events of vital importance to the financial world. First, it rendered very probable the enactment of the compromise bill for regulation of investment trusts. Second, it encouraged investment bankers to expect an amendment relaxing the famous 20-day "quarantine" for new issues of securities.

Improvement in chances for the investment trust bill resulted from a complete overhauling of the Securities and Exchange Commission's original draft by the investment trust people (BW—May 10, p. 45). The trusts gave the Senate Banking and Currency Committee a set of 33 suggestions which proved the basis for a compromise that has been favorably reported to both chambers of Congress.

Defense Comes to Rescue

The quarantine period for new issues, a sore point in the investment banking game ever since passage of the Securities Act of 1933, has been the subject of nearly a month of conferences. Earlier the SEC had angered the Investment Bankers Association by insisting the time wasn't ripe to ask Congress to amend the securities laws. The I. B. A. launched a move for investigation of SEC methods which recruited some influential support in Congress. Then industry's need for capital to speed national defense gave everybody an excuse to forget hot words.

Steering committee, so to speak, for I. B. A. was headed by Detroit's Emmett F. Connely, president of the association and newly appointed to the paid job of chairman of the public information committee. Helping him were John K. Starkweather (Starkweather & Co.) and R. McLean Stewart (Harriman Ripley & Co.).

Apparently it all boiled down to the fact that the SEC would go ahead and ask Congress to amend the quarantine provision if the I. B. A. would agree not to press for any other action at the present time. This course was tentatively agreed upon and at once Wall Street started to shout, "Munich!"

The general idea now is to give the SEC discretion on the waiting period be-

fore a new issue of securities is to be offered. In other words, if United States Steel wants to sell an issue of bonds, there's no real reason to hold the deal up 20 days for examination. Two days,



TRANSFERRED EXECUTIVES GUILD

The Interstate Real Estate Exchange
(Member Massachusetts Real Estate Exchange)

For Business Men Who Have to Move Correspondents in Strategic Cities

A FEW TYPICAL LISTINGS

State	City—Code No.	Bed	Bath	Gar.	Price
N. Y.	White Pl. 31V11	3	1	2	\$11M
N. Y.	Syracuse 31B11	4	2	1	\$12M
Pa.	Phila. 37N11	4	2	1	\$15M
Mich.	Detroit 21E11	3	2	2	\$12M

Many Others—\$7500-\$25,000—Name Your City

Mo. St. Louis exchange for Cincinnati, Ohio.
Ill. Chicago exchange for Pittsburgh, Pa.
Mo. Kansas City exchange for Chicago, Ill.
Ohio Cincinnati exchange for Montclair, N. J.
Mo. Kansas City exchange for Los Angeles.
N. Y. Utica exchange for Cincinnati, Ohio.
Tex. Dallas exchange for Cincinnati, Ohio.

Write for Details of the T. E. G. Method. Home Office, 1171 Washington Street, West Newton Post Office, Boston, Mass. (EMPLOYERS—T. E. G. Service Solves a Difficult Employee-Relations Problem.)

New Issue

July 10, 1940

\$60,000,000

The Texas Corporation

3% Debentures, due May 15, 1965

Price 103%

plus accrued interest from May 15, 1940 to the date of delivery

Copies of the offering prospectus may be obtained from the undersigned only by persons to whom the undersigned may legally offer these securities under applicable securities laws. A complete list of the principal underwriters, including the undersigned, and the respective amounts which they severally have underwritten, subject to the conditions specified in the underwriting agreement, are set forth in the offering prospectus.

Dillon, Read & Co.

the bankers feel, would be ample for examination of legal details. Obscure companies would have to wait longer.

If a company has to wait 20 days, markets may go to pot before the offering is made. This has happened frequently since the war started in Europe. In fact, a couple of large offerings, scheduled for this week and next, would have appeared as much as two months ago if it hadn't been for the quarantine. And such

delays just don't fit into the national defense program.

Treasury Picks Its Spots

SECRETARY MORGENTHAU'S surprise decision this week to raise "new money" by the sale of long-term bonds reemphasized the fact that the Treasury has at least temporarily discarded its traditional financing dates. Time was when major

offerings of government bonds were expected at quarterly intervals the middle of March, June, September, and December. But, under wartime conditions when markets are constantly exposed to paralyzing shocks, opportunism is called for.

As things stand now, the Treasury swaps new securities for old when outstanding issues fall due on the traditional quarterly dates. Any time the market is right, it is likely to step out and borrow

Tax Boost Stimulates Interest in Bonds

LOW-GRADE BONDS and common stocks are very similar in their speculative characteristics. Yet there is one vital difference: Corporations compute their federal income taxes *after* deduction of bond interest and *before* payment of dividends.

From the time the war broke out until a few days ago, low-grade bonds and common stocks clung to the same price pattern. If the prospect was for better corporate earnings, then both would benefit. Very recently, however, they have parted, and the parting can be traced to taxation. National defense resulted in a boost in the income tax—roughly from 18% up to 20.9%. But the real jolt came when Roosevelt urged an excess profits tax.

Obviously, higher taxes neither improve nor damage the position of the low-grade bond. Yet super-taxes definitely reduce the relative attractiveness of common shares. This factor accounts for the pickup recorded over the last few days in buying of speculative bonds at a time when volume of stock trading was at a 20-year low. Not a little of this bond-buying represented the orders of traders who were switching out of common stocks.

Suppose the X-Y-Z Corp. has outstanding bonds on which it pays \$500,000 a year interest, and 100,000 shares of common stock. In 1939, earnings available for interest were \$600,000—not a very wide margin of safety—and \$100,000 remained for depreciation, taxes, and dividends. Forgetting depreciation, taxes took \$18,000, leaving \$82,000 or 82¢ a share.

Bonds' Strategic Position

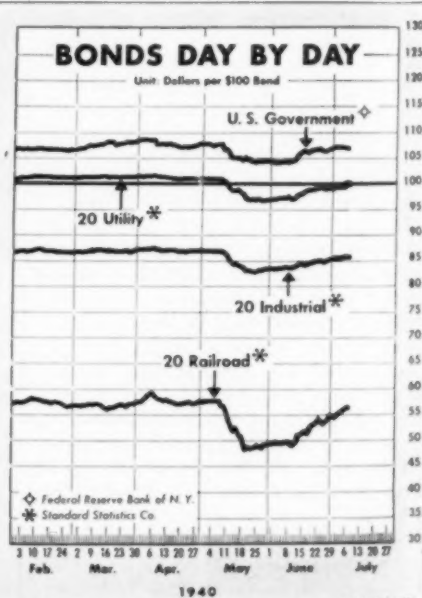
Now if the X-Y-Z Corp. earns the same amount in 1940—\$600,000—Uncle Sam would collect at the new rate of 20.9% a regular tax of \$20,900 and maybe an additional excess profits tax of \$20,000. This would leave not 82¢ but only about 59¢ for the stockholder, a decline of 28%, although bond interest still would be covered by the same margin as in 1939. If earnings increased, the increased taxes would bite a larger chunk from the stockholders' proceeds, while strengthening the bond position. Should earnings decline by \$100,000, bond interest would still be fully earned, although not a cent would be left for stockholders; even if bond interest isn't earned, the corporation

will do everything to avert a default.

Some extreme examples in favor of bonds may be found among the railroads. Underlying liens of a big carrier often are gilt-edged and yet the junior obligations are on the ragged edge. In such a case, the junior bond gets the advantage of leverage without the disadvantage of taxation.

This accounts for the fairly striking gains in second-grade rails recently at a time when high-grade carrier liens were no more than edging forward and the railroad stocks actually were having trouble holding their own.

Gauged by the Dow-Jones averages, the high-grade rails rose from 90.60 at the end of June to 91.68 the middle of this week, a rise of about 1.2%; second-grade rails rose from 44.89 to 46.83, a gain of more than 4.3%. During that same period, the railroad shares moved only from 26.21 to 26.30, and the industrial averages actually were down a shade. Greatest interest in the railroad bonds and stocks for some time has been in the roads serving the heavy industries, on the assumption that the initial impetus from national defense will be felt in these areas.



whether there is any urgent need for new money or not.

Right now the Treasury has pulled down its working balance to about \$1,100,000,000. That's a tidy sum, to be sure, but it's well below the level at which it has been maintained in recent years. As recently as last March it was around \$1,800,000,000, and 15 months ago it was \$2,400,000,000.

COMMODITIES

More Tin and Rubber

Boosts in quotas by international cartels assure United States of defense stockpiles.

PRODUCERS of tin and rubber have acted promptly to make sure that they will be able to sell Uncle Sam the 150,000 tons of rubber and 75,000 tons of tin they promised him for his defense stockpiles. The international rubber committee, just after the arrangement was announced (BW — July 6 '40, p. 48), raised shipping quotas regulating nations in the cartel from 80% to 85% of standard tonnages. And, at the beginning of this week, the tin committee took even more striking action when it increased quotas from 100% to 130%.

Theoretically, you can figure out just what these boosts in quotas will mean in the way of added supplies. Rubber producers, operating at 80%, would have been allowed to ship at the rate of 1,041,900 tons a year. At 85%, 72,600 tons would be added to annual production, bringing it to 1,114,500. Similarly, the tin cartel would be entitled to ship 208,970 tons a year at 100% but would add 62,690 tons with the rate set by the committee at 130%.

Flexible Arrangement

As a practical matter, that isn't the way it will work out. In the first place, the quotas are subject to change in the discretion of the two committees. If too much of either commodity comes onto the market, reductions may be expected. Even more to the point, however, is the observation that the tin cartel hasn't even been filling 100% quotas. Most observers believe that output over the next 12 months, even if the 130% rate remains in effect, will be materially below 272,000 tons and that it may quite possibly fall short of 240,000.

Suppose consumption in the United States over that 12-month period amounts to 75,000 tons. If the rest of the world takes 85,000 tons (such an estimate is the wildest kind of a gamble with continental Europe almost completely cut off from tin supplies), then about 80,000 tons would be made available for the United States on a production estimate of 240,000. At that rate, the

stockpile of 75,000 tons could be accumulated in a little bit less than a year.

In the last analysis, the United States will get the raw materials as far as the cartels are concerned. Possible shipping difficulties are the only real worry. Inasmuch as stockpile buying apparently will go forward in the open market, the United States' program of paying about 50¢ a lb. for tin and 18¢ to 20¢ a lb. for rubber should be the major factor in determining prices for several months to come. If stockpile buying doesn't prove capable of sustaining prices at these levels, it's a safe bet the cartels quickly will cut quotas.

Cartel for Coffee?

REPRESENTATIVES of the Latin-American coffee producing nations have been toiling for a month in New York (BW—

Jun 15 '40, p. 51) to see if they could revive the short-lived cartel of two years ago. This week they adjourned with the announcement that they had agreed in principle on apportioning the United States market among the seven nations involved. Most difficult subject—deciding upon the quota percentages—is left up to the Pan-American Coffee Bureau, and its plan will have to be approved by the individual governments.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

July 5, 1940

THE Board of Directors on July 3rd, 1940 declared a quarterly dividend of \$1.625 per share on the outstanding \$6.50 Cumulative Preferred Stock of this Company, payable on the 15th day of August, 1940 to stockholders of record at the close of business on the 29th day of July, 1940. Checks will be mailed.

DAVID BERNSTEIN
Vice President & Treasurer

Funds to help industry help NATIONAL PREPAREDNESS



"These orders and your firm's credit standing warrant a loan."



"Now we can go ahead with our plans for the plant addition."

In step with our Government's program of preparedness, many companies will increase their capacity for production. Many will re-tool and otherwise adapt their factories to manufacture needed equipment.

To help in these activities, making possible the expansion of buildings, machinery, inventory and payrolls, Bank of the Manhattan Company will make loans in accordance with sound banking policy.

Bank credit means greater speed, and speed is important

The financial resources which this Bank and others make available will help speed up preparedness, to the Nation's benefit.

* * *

We suggest that you discuss your plans with one of our officers.



Chartered 1799

BANK of the MANHATTAN COMPANY
NEW YORK

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BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

Tokyo's Squeeze-Play May Work

War developments put Japanese in good position to force American business to accept a new deal in the Orient; new "incident" emerges.

THERE WAS A FLURRY in the International Settlement at Shanghai last Sunday which may yet prove to be as much of a turning point in Far Eastern affairs as was the shooting at the Marco Polo bridge near Peiping on July 7, 1937, that touched off the main phase of Japan's war against China.

A Japanese general came down from Nanking to Shanghai last week to celebrate July 7 with his countrymen. When he decided to pay a visit to the British and American policed section of Shanghai, an armed bodyguard—in plain clothes—was on hand to protect him.

Tokyo and Washington have an agree-

ment that in Shanghai, where both have special interests, armed forces from neither side will enter the zone policed by the other unless permission is asked in advance. The Tokyo authorities apparently neglected to ask any such permission last week and the Nipponese bodyguard was arrested by American marines. Milling Chinese crowds watched the whole episode with obvious satisfaction.

When the Japanese were released at the end of five hours, each side making explanations, the "American incident" was thought to have been closed. But a day later, Tokyo turned the whole epi-

sode into an international affair of the first magnitude by insisting on an American apology. By Tuesday, Shanghai was flooded with handbills carrying the slogan: "Down with America," and the Japanese-controlled press carried numerous articles on the "American atrocity."

Pliant Aggressiveness

Few Americans who have been following the Far Eastern situation closely are surprised by the week's developments. Japan's plans for a "new order in East Asia" have swelled or shrunk with the preoccupation of the other interested powers in other parts of the world. For most of the last eight months they have been vulnerable to stiff pressure from the United States and from the Soviet Union, which, due to its pact with Berlin and to Berlin's involvement in western Europe, has been comparatively free to handle vigorously any Oriental issues. Moscow, only a month after the signing of the Soviet-German non-aggression pact last August, suddenly found Tokyo in a mood to settle its border disputes, the long-pending controversy over fishing rights in Soviet Pacific waters, and overdue payments on the Chinese Eastern Railway in Manchukuo. And last fall Washington put an end—at least temporarily—to Japanese bickering when

For Preparedness—A Tighter Control on Exports

MORE THAN 150 items—all of them potential war materials—can no longer be shipped from this country without special export licenses.

The first ban came May 1, 1937 when the President ruled that "arms, ammunition, and implements of war" (Group 1 below) could be exported only when licensed by Washington. It was designed to give the government full control over exports of strategic war materials. A little later, when Washington raised a "moral embargo" against "aggressor nations," it was an easy matter to refuse licenses for shipments of these items to Japan and Italy and later Germany and the Soviet Union. The ban didn't dry up our foreign trade in these lines, for exports under license last year amounted to \$204,555,780; France alone took \$122,120,267—mostly war planes.

On July 2, the President listed three more groups of potential war materials (2, 3, and 4 below) which can no longer

be exported anywhere unless licensed. Many of these are materials which the United States must import—like rubber, silk, antimony, mica, and wool. Exports normally are in the form of finished goods made from these materials. Best guess in the commodity markets is that licenses will be refused from the first for goods bound for German-controlled Europe, but that there will be no immediate tightening up in other markets until some shortage of raw material looms up. Purpose of the ruling is to endow officials with the authority to move quickly when any emergency arises.

Exports of most items in Group 2 are not large. Aluminum showed the most spectacular gains because of the demand in Britain for plane construction. Tin and antimony sales abroad dropped sharply.

Few export figures are available for Group 3 because, except in time of war, foreign demand is small.

Exports Now Controlled by Washington

1. Arms, ammunition, and implements of war:

- I. Rifles, machine guns, howitzers, grenades, bombs, torpedoes, mines, tanks, armored vehicles, and armored trains.
- II. Vessels of war of all kinds, including aircraft carriers and submarines, and armor plate for such vessels.
- III. Aircraft intended for aerial combat and gun mounts, bomb racks, torpedo carriers.
- IV. Revolvers and automatic pistols.
- V. Aircraft (not covered in III) propellers, fuselages, wings, tail units, undercarriage units, and aircraft engines.
- VI. Flame throwers and all kinds of gas and chemicals used in chemical warfare.
- VII. Powder and explosives.

2. Basic materials, and products in which they are contained:

- a. Aluminum
- b. Antimony
- c. Asbestos
- d. Chromium
- e. Cotton linters
- f. Flax
- g. Graphite
- h. Hides
- i. Industrial diamonds
- j. Manganese
- k. Magnesium
- l. Manila fiber
- m. Mercury
- n. Mica
- o. Molybdenum
- p. Optical glass
- q. Platinum group metals
- r. Quartz crystals
- s. Quinine
- t. Rubber
- u. Silk
- v. Tin
- w. Toluol
- x. Tungsten
- y. Vanadium
- z. Wool

3. Chemicals

- a. Ammonia and ammonium compounds
- b. Chlorine
- c. Dimethylaniline
- d. Diphenylamine
- e. Nitric acid
- f. Nitrates
- g. Nitrocellulose, having a nitrogen content of less than 12 per cent.
- h. Soda lime
- i. Sodium acetate, anhydrous
- j. Strontium chemicals
- k. Sulphuric acid, fuming

4. Special products

- a. Aircraft parts, equipment, and accessories other than those listed in the proclamation of May 1, 1937.
- b. Armor plate, other than that listed in the proclamation of May 1, 1937.
- c. Glass, non-shatterable or bullet-proof.
- d. Plastics, optically clear.
- e. Optical elements for fire-control instruments, aircraft instruments, etc.

What It Costs to Use International Air Service

A Checklist Based on Rates over Pan American Airways

From United States to:	Flights per week	Transit Time	Postage per 1/2 oz.	Express per lb.	Passenger Fare
China (Hong Kong).....	1	8 days	\$0.70	\$4.91	\$760
Australia (Sydney).....	1	16 days	.70	"	1,175.25
New Zealand (Auckland)....	2 monthly	12 1/2 days	.60	"	"
Alaska (Juneau).....	2	7 hours	.06 per oz.	"	95
Philippines (Manila).....	1	6 days	.50	2.00	739
Hawaii (Honolulu).....	1	1 day	.20	.93	278
Mexico (Mexico City).....	14	3 hours	.10	.26	42
Cuba (Havana).....	7	2 hours	.10	.20	20
Canal Zone (Cristobal).....	3	10 hours	.15	.76	160
Colombia (Barranquilla)....	2	6 hours	.35	.61	145
Brazil (Rio de Janeiro)....	3	4 days	.40	1.50	450
Argentina (Buenos Aires)....	6	11 1/2 days	.40	1.56	550
Bermuda.....	2	6 hours	.10	"	70
Europe (Lisbon).....	3	28 hours	.50	"	425

*Rates to be announced.

it served notice on Tokyo of the termination of the Japanese-American trade agreement.

But the string of spectacular Hitler victories this spring has revived Japan's courage, and "expansion in the East" is the order of the day. The latest shift in policy has been developing for several weeks.

On June 19, Britain and France yielded to most of Japan's demands in their special zones in the Tientsin area. On the next day, the French ambassador in Tokyo agreed not to allow military supplies to pass through French Indo-China to the Chiang Kai-shek government at Chungking.

On June 25, Tokyo demanded that Britain close the one other supply route serving Chiang Kai-shek's Nationalist government—the Burma road to western China—but Britain refused.

A Nazi Expresses a Hope

This week, following the Shanghai incident, the editor of the Tokyo *Economic Magazine* gave a big dinner for the German military and air attachés. Over the liqueurs after dinner, Col. Gerhard Matzky, German military attaché, did a thorough job of fanning Japanese-German good will. Said he:

"I hope that Japan will decide without delay whether she is to be chained up by America or whether in cooperation with her friends, Germany and Italy, she will become a great world power. Germany's drive against England will be over before the United States can enter the war. If you let this rare opportunity slip, the situation will become unfavorable. While Japan hesitates, the European war is developing so rapidly that Japan may be left."

New crises will develop in the Far East in the next few months. They will be synchronized with German and Italian moves against Britain. Such skillful timing will be cleverly calculated to prevent the United States from acting effectively in either the Pacific or the Atlantic.

The United States is faced with a crucial decision on Far Eastern policy. It is probably too late to conciliate Japan on terms which would provide a

INTERNATIONAL NICKEL CO., LTD. orders another BAKER TRUCK



(Above) Baker Scoop Truck at Copper Cliff plant of International Nickel, scooping up nickel sulphide from stripping floor.

(Right) Ready for loading into box car. Rugedness and flexibility are characteristic of this Baker Truck.



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realistic and workable safeguard for American interests in the Pacific. Yet, it is doubtful if this country is willing to risk its limited military powers in a showdown engagement in the Far East at the very moment its Atlantic "first line of defense," the British fleet, is engaged in a life-and-death struggle in Europe.

Despite our huge investments in south-eastern Asia, the importance of the region as our main supplier of such strategic materials as tin and rubber, and the claim we have always made for the Open Door policy in China, it looks now as though American business is going to be forced to accept a new deal in the Orient. At the speed with which events are now moving, the outcome will soon be known.

British Food Depots

THE 20,000,000 lb. of lard Britain has just bought from American packers—none of which has yet been shipped—will go into emergency food depots scattered throughout England. Although these depots have, understandably, been given very little publicity, there are several hundred of them, and they will be a safeguard against the destruction or capture of major warehouses by the enemy. Condensed milk and flour are other items on the purchase list here.

Only Bad Gas for Nazis

THE NAZIS may have exhausted their best fuel reserves in the Battle of France, and that in turn may partly explain the R.A.F.'s apparent ability to fly rings around the Germans, plane for plane. Whenever possible, British technicians have been analyzing gasoline from planes shot down over England. According to reports here, the largest group of German planes has been found to be flying on gas with a 64 octane rating, which is not even up to the performance standard of the ordinary gasoline that can be bought at any fuel pump in the United States.

The next largest group of samples have fallen in the 73 to 75 octane range, identical with ordinary automobile fuel. A very small number of Nazi planes, particularly fighters, were flying on 85 octane gas, an excellent fuel for automobiles but only acceptable for airplanes. No gasoline of the 96 to 100 octane rating used in all British planes has been found in any German fuel tank.

That the German reserves of acceptable airplane fuel cached before the war cannot be replaced has been suggested by American petroleum experts who point out that most of the Balkan and German crude oil and part of the Russian are of too poor a quality to yield a high-performance gasoline.

Briefed from the Cables

MOSCOW (Cable) — Bessarabian waterways which have not been used by the Russians since 1918, when the region was occupied by Rumania, are currently the No. 1 attraction of the water transport commissariat. Now that Russia again has ports on the Danube, new trade routes to Germany, Yugoslavia, Hungary, Rumania, and Bulgaria can be established. In 1913, Czarist Russia operated seven Black Sea-Danubian lines.

LONDON (Wireless) — Increased pig iron imports from America and the British Empire are offsetting England's iron ore shortage resulting from the loss of Swedish ore which formerly came through Narvik and from disruption of Mediterranean communications. Britain's reliance on refined ore may mean a coke surplus and an intensification of its use as a motor fuel in order to cut down further on gasoline consumption.

OTTAWA — Since last week, the flow of Canadian shoppers and tourists to the States has dwindled to a trickle because Ottawa officials are refusing to provide them with American dollars unless they can prove that they are going out of the country on business. Even the visiting executive won't have his pockets stuffed with dollars. Before he can secure more than \$100 in American money he must prove that it is actually

required for the trip. "No extravagance will be permitted," warns the government.

Canadians are alarmed over the confusion which has arisen south of the border over the travel requirements in a "country at war." Actually, Canada is more eager than ever to have United States tourists visit their resorts this year because of the foreign exchange which it brings to the country. No passports are required from American tourists visiting Canada, but the United States government insists that its citizens show birth certificates when returning to the United States from a vacation in Canada, and that Canadians coming into the United States carry passports.

MOSCOW (Cable) — The 6,250-mile ice floe between Pacific ports and north Russian railheads has thawed sufficiently to enable Russia's Arctic fleet to put to sea. Ships are now being loaded in Archangel, Murmansk, and Vladivostok, and 10 planes have been assigned to ice patrol. Two ice-breakers will do nothing but convoy cargoes of coal from the frost-bitten Dudinka fields in East Siberia, out the Yenisei river to Dickson Island, the Soviet polar "Radio City" that lies 500 miles north of the Arctic Circle. The coal ships will then proceed to Murmansk unescorted.

THE TRADING POST

Streamlining Susie

A COUPLE of weeks ago I looked in on a manufacturer friend. He was in a bad humor. As I entered his office, he looked up from a book he had on his work table and with a big black pencil waved me to a chair. Then he scowled at me and wagged the pencil for all the world like a schoolteacher with a ruler—back in the "good old days."

"Well," I opened, "what have we done now? Run a cut upside down in one of your ads?"

For an instant he looked blank—then grinned wryly and let go:

"No, it isn't you this time. But I've about come to the conclusion that I've found the greatest weakness in American business."

"So-o-o?" I'm used to his enthusiasms, but that sounded like a big order.

"Yes, sir, and we've got it bad right in our own shop. See that book? That's our general catalog. And it's lousy with dead items. Just lousy, I tell you. And I'm cleaning 'em up—with this," holding up that black pencil.

"But," I ventured, "seems to me you ought to be able to tell when your orders begin to fall off that—"

"Yes, that's right, we ought to be able to tell—and we can. But we don't do a thing about it. So long as we get any dribble of orders at all, we keep an item in the line. Keep it till it gets putrid, just because a dwindling handful of people somewhere continue to order it."

"But no one ever figures what it's costing us to keep up a museum of antiques. And museums are not our business. It's the live ones that make our money; and when an item that's had its day no longer pulls its weight in the boat, it's time to heave it overboard."

"Gosh," he groaned, "I wish I had right now all the money it's cost us to carry some of the items in this book that we've carried for years and years."

"So you think," I repeated, to see if he now might want to hedge, "that that's the greatest weakness in business."

"Yes, I do. And if I read the signs in Europe right, we're soon likely to be up against some of the toughest competition American business ever has known. And it isn't going to be good sense for us to go into it dragging a lot of dead weight. We've got to clear decks for action. We're not going to get to first base in this new game if we have to carry along a lot of stuff that should have been ditched long ago."

"In other words—" I began,

"In other words," he took me up impatiently, "if Sister Susie is going to run in this race, she'd better shuck all those flounces, and corsets, and petticoats and

get down to a streamlined bra and a pair of running pants, even if she does have to shock some of the old gals that knew and liked her when she was a sweet thing in pigtails!"

With which he took another grip on his big black pencil and went to work—streamlining his own particular Susie.

Giving the Guardsman a Break

FROM MANY QUARTERS comes the word that business men are cooperating in highly practical and effective fashion with the move to strengthen the national defense. By this I mean more than simply preparing to step up production and to change over to the production of defense materials and equipment.

They are recognizing the need for the military training of our manpower and are doing what they can as employers to lighten the burden of those who volunteer for service.

Monsanto Chemical Co., for example, recently announced that all its employees who are members of the National Guard will be allowed the three weeks required for training with their units this summer without loss of pay. Charles Belknap, executive vice-president of the company, considers that the desire of the War Department to bring the National Guard into field training with regular army units for three weeks is so much in the interest of the nation that it warrants the cooperation of all employers.

The Bank of America also has announced that employees who attend National Guard encampments this summer will receive full pay during the entire time. L. M. Giannini, president of the bank, welcomes "this opportunity to co-operate tangibly in the defense program."

These and similar actions elsewhere (BW—July 10, p. 22) are encouraging evidence that businessmen are conscious of the sacrifices that are made by members of the National Guard, and that they are willing to do all they can to reduce the burden that will fall on the citizen soldiers as we intensify our preparedness effort. But we shall not have a proper American army until we stop this business of relying wholly on those who volunteer to sacrifice their time and their energies to become fit to do their part. Nothing short of universal liability for military training and service can meet the new national requirements or conform to American standards of fairness.

Anyone who thinks that National Guard membership these days is any kind of a joyride just doesn't know what it's all about. For any man that has to earn a living it's a mighty exacting civic chore and every National Guardsman deserves the thanks and respect of his fellow-citizens.

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BUSINESS WEEK

With Which Is Combined The Magazine of Business

July 13, 1940

What Would You Suggest?

CONGRESS has a tough job ahead. It's going to be very hard to comply with President Roosevelt's request for a "steeply graduated excess profits tax to be applied to all individuals and all corporations without discrimination."

There's the rub—"without discrimination."

For, in order to pass a law which takes "excess profits" out of national defense, it is first necessary to determine what excess profits are. And that, all by itself, causes discriminations.

During the World War "excess profits" were defined, in effect, as profits above 20% of net earnings on invested capital. The LaFollette amendment, recently defeated (*BW—Jun29'40,p52*), defined excess profits as earnings above 8% on invested capital (all common and preferred stock capitalization plus surplus and undivided profits, but excluding funded debt). Lately, however, a different concept of excess profits has become popular. A group of years is chosen as a measure of "normal" profits—say 1937 to 1939—and earnings above the average for those years are regarded as "excess profits". The British are using that definition of excess profits; so are the Canadians, and—lest it be regarded as new—so did this government in the 1917 Revenue Act.

THESE differing definitions act differently on different corporations. A company with a low rate of earnings on a large capital investment, such as a steel enterprise or a railroad, would come off very well if Congress based its definition of excess profits on invested capital. But, companies that customarily manage to earn a high rate of return on their capital stock would be pretty hard hit—for example, aviation companies, some of the cigarette manufacturers.

Thus companies which are under-capitalized, or which do not require a large amount of fixed capital, or which are just developing and therefore are in a period of rapid growth would be penalized by this invested-capital concept of excess profits—regardless of whether the defense program stimulates their business.

A tax on profits in excess of "normal" earnings during a series of recent years also works discriminations. It is easy on companies which have comparatively stable incomes, like, say, gold mining or most food enterprises. They did fairly well in 1937, 1938, and 1939, and their profits are not apt to shoot out of line during the next few years. On the other hand, such industries as steel or railroad equipment would be hard hit. For they are members of the prince or

pauper family. Their expanded earnings would be taxed on the basis of recent pauper years; and yet the characteristic of good years following bad years is "normal" for those industries. They need high-profit years to offset losses in bad years.

Superficially, of course, the easy way out is to place an earnings limitation on munition orders only. But that saddles the load on companies which receive national defense business directly and lets off the indirect beneficiaries—the manufacturers of consumer goods and the retailers. For if employment and pay-rolls rise in the heavy industries, it follows inevitably that production and sales of suits, dresses, shoes, home furnishings, etc., will expand.

So, unless Congress comes up with some entirely new concept of excess-profits taxation, there are bound to be some discriminations, some imperfections in the bill. And business men might just as well get ready for these now—philosophically. Yet one patent discrimination ought to be eliminated as soon as possible; that is the recent amendment to the Vinson-Trammell Act which limits profits on Army and Navy contracts. Obviously, with an excess profits tax, this limitation is unnecessary baggage. The Administration's plan to repeal the law takes this realistically into account, recognizing that if a manufacturer loses money on one government contract, the fixed limitation on profits makes it impossible for him to recoup his loss on another contract.

When Congressmen take up an excess profits tax, there will be an inevitable temptation to press too hard. It's good politics to make patriotic speeches about taking all the profits out of defense; but it doesn't make sense—not when getting munitions produced fast is the main idea. So Congressmen, in studying excess profits tax proposals, would do well to guard against going off on a taxation tangent and forgetting the main idea.

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